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BANK OF CANADA

REPORTS ON THE FINANCIAL POSITION OF THE PROVINCES OF MANITOBA, SASKATCHEWAN AND ALBERTA

1937

The Bank of Canada's Reports on the Provinces of Manitoba, Saskatchewan and Alberta were made public on February 15th 1937, March 15th 1937, & April 7th 1937, respectively. As many requests for copies have been received, it has been thought convenient to provide them in the form of a booklet containing all three Reports, and the opportunity has been taken to add a new table at the end, from which a comparison of the figures of the Provinces concerned may be more easily made.

BANK OF CANADA
OTTAWA.

MANITOBA

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BANK OF CANADA

Ottawa, February 11, 1937.

REPORT ON THE FINANCIAL POSITION OF THE PROVINCE OF MANITOBA

In response to an invitation from the Premiers of Saskatchewan and Manitoba and the Minister of Finance of the Dominion Government, we undertook to make an examination of the financial positions of the Provinces of Manitoba and Saskatchewan. It was understood that the examination would not imply a detailed study of all departmental expenditures and revenue, but would constitute a broad, general survey of the provinces' positions and of the factors which have been responsible for the present situation. The examination in Manitoba, reported on below, was conducted along these lines.

An outline of Manitoba's recent financial history is a necessary background for any appraisal of the present situation and problem. We find that the years from 1926 to the present, reviewed in relation to economic conditions in the province, may be divided into several periods with distinctive characteristics.

In the text which follows, statistics are used as sparingly as possible; the salient figures will be found in summarized form following each section; more detailed statistics will be available, if desired, in the form of supplementary memoranda. The short time which could be devoted to the examination of Manitoba's financial position and the preparation of this report have not permitted the meticulous checking of statistical details which would otherwise have been desirable. But we have no hesitation in expressing the opinion that minor inaccuracies in the figures—if any exist—do not distort the picture, or affect the general conclusions

which we have reached. The figures that follow will in all cases relate to fiscal years unless otherwise stated.

FISCAL YEARS 1926-1929

(Approximate calendar years 1925-1928)

The Economic Situation:

Diverse trends were evident in Manitoba's economy. The decline in the importance of wheat continued. Even the bumper crop of 1928 scarcely exceeded that of 1905, and whereas Manitoba's 1905 crop was more than half the total prairie production, the 1928 crop was less than a tenth of the total. On the other hand, coarse grain crops, notably barley, rapidly expanded, accompanying an increase in livestock, dairy and poultry production. The net result was a moderately declining tendency in gross agricultural income, and, as a result of the increased production for domestic use in mixed farming, a quite sharp decline in net cash income; but a somewhat more diversified and self-supporting economy was developing. This decline in agricultural income, which was contrary to the general trend of the times, had an important reaction on provincial finances.

Primary industries other than agriculture—forestry, mining and fishing—and power production, manufacturing and repair work expanded rapidly. These increases were almost adequate to maintain the total value of the province's production at approximately the same level throughout. In addition, general trade and service income increased, particularly in Winnipeg, which benefitted from the more rapid expansion in the Saskatchewan and Alberta tributary areas. Nevertheless, all provincial income rose more slowly in Manitoba during this period than in the rest of Canada; retail sales increased 15 per cent from 1926 to 1929 as compared with a 23 per cent increase in Canada as a whole.

The Financial Situation:

In 1926, Manitoba was still struggling under the burdens laid upon her in the 1918-22 period. Government debt was increased from $40 millions in 1918 to $82 millions in 1923 as a result of extravagant expenditures on agricultural and business enterprises and public works projects, initiated in a period of high prices. The ensuing price deflation made the greater part of this expenditure a heavy burden on the greatly reduced income of the province.

Realizing that provision would have to be made for large capital losses and current deficits on the various business enterprises, in addition to providing for the greatly increased expenditure of the government itself, Manitoba was in the forefront of Canadian provinces in increasing taxation and decreasing controllable expenditures. For the first time, sinking funds were established to reduce the debt. Gasoline and income taxes were imposed in 1923, and with the assistance of good crops in 1924, 1925 and 1926, made the proportion of total government revenue derived from taxation the highest of any province (48 per cent as compared with 40 per cent for all Canadian provinces. This and subsequent comparisons are based on *total ordinary revenue less interest received* in order to put all provinces on as comparable a basis as possible).

By 1926, increased taxation and reduced controllable expenditure had enabled the province to make a good start in writing off the losses and cleaning up the situation inherited from the 1918-22 period. The next three years saw some modification of financial policy. As previously noted, economic conditions were not as favourable in Manitoba from 1926 to 1929 as in the rest of Canada, and steps were now taken to lighten taxation, particularly on land. At the same time, expenditures were relatively well held down, and the provincial business enterprises were in some cases established

on a firmer basis. Of these, the Telephone System was completely self-supporting and was making good progress in writing off early deficits; the Power Commission (after the loss of half the government's investment in it) was meeting its remaining annual interest requirements, although falling short of adequate provision for depreciation; the advances to the Rural Credit Societies were being liquidated, the Government Grain Elevators had been liquidated and the losses transferred to deficit account; and the Farm Loans Association was meeting interest due to the government, although drawing on its sound assets to do so, and unable to make any provision for losses incurred or likely to be incurred.

Government revenues continued to increase from 1926 to 1929, almost entirely because of larger receipts from business enterprises and miscellaneous sources. In 1927 the supplementary revenue (land) tax was reduced from 2 mills to 1¼ (and in 1928 to 1) and income taxes were reduced 20 per cent. In addition, it was provided that further surpluses should be used to the extent of 80 per cent in reducing the provincial land tax, and as to 20 per cent in reducing income taxes. This last step was most retrograde. It ignored what should be a fundamental principle in the financial policy of any body with a highly fluctuating income. Reserves should be provided in prosperous years, when taxation bears relatively lightly, in order to help in lean years when the tax burden is heavy. As a result of these measures the supplementary (land tax) revenues were reduced from $1,325,000 in 1926 to $810,000 in 1927 and (by application of 80 per cent of the previous year's surplus) to $82,000 in 1928, and income taxes were also reduced by $141,000 in the latter year. As noted in the 1928 budget speech, "owing to this reduced tax, the revenues of the province have been cut down so that there is sure to be a deficit for the fiscal year 1928, and a still greater deficit for the year 1929." These were, of course, prosperous years in which preparation might

well have been made for possible emergencies. The province recouped itself for the reduction of one mill in the land tax rate (although not for the rebate of the surplus) by cancelling the 1922 rebate to the municipalities of 50 per cent of the Liquor Commission profits.

Some relaxation in the restriction of ordinary expenditures occurred in the fiscal year 1929, and a beginning was made on extensive capital programs, chiefly in connection with the telephone and highway systems. Nevertheless, it may be that the sharp curtailment in ordinary and capital expenditures (both absolutely and in comparison with other provinces) through the middle twenties made some increases necessary. Expansion was most marked in social service expenditures, since old age pensions were introduced in 1928-29, and hospitalization and medical services were greatly extended.

In brief, the 1922-29 period may be summarized as one in which Manitoba inherited an extremely serious financial situation, and in which, in spite of only a moderately increased taxable income, the province succeeded in making the smallest percentage increase in net debt of any province except Quebec, and put itself in what might then legitimately have been considered to be a strong financial position. This success may be ascribed primarily to consistent economy, and to a lesser extent to an increase in taxation. In spite of decreases in taxation in the later years, the proportion of Manitoba's revenues derived from taxation in 1929 still exceeded that of any other province. However, there must also be criticism of the failure to provide any reserves for the valleys that must inevitably follow the peaks in any primary commodity exporting area. The following table summarizes the salient statistics of the period:

TABLE A
MANITOBA PUBLIC FINANCES**
(1916, 1921, 1926-29)

(Millions of Dollars)	(Fiscal Years ending April 30)						
	1916*	1921*	1926	1927	1928	1929	Total 1926-29
ORDINARY REVENUE (Cash Basis)							
Fixed Revenue (a)	2.2	2.8	2.4	2.8	2.9	3.1	11.2
Tax Revenue	0.9	3.7	4.3	4.6	3.9	4.4	17.2
Other Ordinary Revenue (b)	1.5	3.1	4.0	4.1	4.4	4.7	17.2
Total Ordinary Revenue	4.6	9.6	10.7	11.5	11.2	12.2	45.6
ORDINARY EXPENDITURE (Cash Basis)							
Interest	1.3	3.3	4.0	3.9	3.9	4.0	15.8
Exchange on Interest	–	0.1	–	–	–	–	–
Amortization and Sinking Fund	–	–	0.2	0.2	0.2	0.3	0.9
Social Services (excluding Education)	0.7	1.9	1.6	1.9	1.9	2.5	7.9
Other Ordinary Expenditure	2.8	5.0	4.8	4.8	5.3	5.8	20.7
Total Ordinary Expenditure	4.8	10.3	10.6	10.8	11.3	12.6	45.3
Net Adjustment for Accruals	–	0.1	0.5	–	0.4	0.4	0.5
ORDINARY SURPLUS OR DEFICIT (as per Public Accounts) (1)	0.2	0.6	0.6	0.7	0.5	–	0.8
INVESTMENTS IN OR WITHDRAWALS FROM CURRENT ASSETS (2)	1.0	1.5	1.8	0.6	0.8	0.3	1.7
CAPITAL AND SPECIAL EXPENDITURES OR REPAYMENTS							
Fully Self-Supporting Loans & Utility Investments	0.2	2.2	0.9	0.2	1.3	1.4	3.8
Fixed Assets (Highways & Public Works)	1.6	4.9	0.8	1.1	1.8	2.9	6.6
Other Loans & Investments (Agr.Cr.etc.)	1.5	6.0	0.1	–	0.1	0.5	0.5
Net of Discount, Exch., Cap. Rev., etc.			0.1	0.2	0.1	0.2	0.2
Relief—Prov. Expen. + Loans to Munic.	–	–	–	–	–	–	–
Total Capital and Special Expenditure (3)	3.3	13.1	1.7	1.5	2.9	5.0	11.1
INCREASE OR DECREASE IN GROSS DEBT i.e. sum of (1) + (2) + (3)	2.5	12.2	0.7	1.4	2.6	5.3	8.6
Increase or Decrease in Debt Retirement Funds	0.6	0.3	1.4	1.1	1.7	1.7	5.9
INCREASE OR DECREASE IN DEBT OUTSTANDING	1.9	11.9	2.1	0.3	0.9	3.6	2.7
TOTAL DEBT OUTSTANDING	30.	64.	71.	72.	73.	76.	
Active Assets (e)	19.	32.	33.	35.	35.	36.	
TOTAL NET DEBT (h)	11.	32.	38.	37.	.38.	40.	
Of Which: Fixed Assets	13.	25.	31.	32.	34.	36.	
: Portion of "Other Loans & Investments" which bore full interest during year	4.	14.	15.	14.	17.	11.	

**For notes see table in Appendix.

FISCAL YEARS 1930-1933

(Approximate calendar years 1929-1932)

This period saw an extraordinary decline in values:—a fall of 45 per cent in the estimated (DBS) average net value of all production in Manitoba from the preceding four year period. Winnipeg bore the impact not only of the depression in rural Manitoba, but also in part of the collapse in Saskatchewan. Mining (and to a lesser extent electrical power) alone stood out against the trend.

The Government was caught between the fires of falling revenues on the one hand and of extensive capital commitments and fixed obligations on the other. The supplementary revenue tax was abolished at the beginning of 1930 (a loss of about $630,000 at the reduced rate) and various other minor land taxes were shortly afterwards reduced or abolished. Assumption of an additional 25 per cent of the cost of old age pensions by the Dominion reduced the levy for that purpose by about $300,000; the Child Welfare Levy ($325,000 in 1930) and the Health Act Levy ($140,000 in 1929) were repealed; and the Soldiers Taxation Relief Levy was reduced from $150,000 to less than $20,000. These reductions were of benefit to urban real estate, which had borne about one-third of the land taxes. But the chief beneficiary was the farmer, who was thus almost completely relieved of provincial taxes, apart from relatively small amounts contributed through gasoline taxes, automobile licences, and the remnants of the land taxes (chiefly old age pension, judicial district and sanatorium levies). In addition, the rural districts were given telephone service by the government system at substantially less than cost, at the expense of Winnipeg subscribers. (The preference given rural subscribers was increased substantially in the following years, and the Power Commission service charges to farmers were also cut drastically.)

Following the reduction of the land taxes, there were general increases made in corporation and income taxes, succession duties and gasoline taxes, and exemptions from the gasoline tax were severely restricted. There was much justification for relieving the land of fixed taxation in this period and for attempting to spread the burden more equitably in relation to income. Probably only a fraction of the original levy could have been collected during the following years in any case, and efforts at collection would have weakened municipal finances out of all proportion to the revenues received by the province. But it could be objected that in order to relieve the land at this time, a revised tax structure was set up which, under the most prosperous circumstances, would secure only negligible revenues from rural districts. In spite of the increases in taxation referred to, cash revenues fell alarmingly from 1930 to 1932 ($3 millions) and Manitoba made early efforts to reduce expenditures.

Although Manitoba was in the forefront of Canadian provinces in cutting controllable expenditures (Government salaries were cut by 14 to 24 per cent in 1931 and 1932) there was naturally some delay in putting a stop to the extensive capital expansion program embarked on in 1929, and an acute financial crisis developed late in 1931. In addition to the heavy capital commitments (highway, telephone and power system extensions and improvements) a number of financial disasters piled up the liabilities in 1931 and 1932. The forced closure of the Provincial Savings Office, the necessity of implementing Manitoba's share of the guarantees given to the banks on their advances to the Canadian Co-operative Wheat Producers, the almost complete collapse of the Farm Loans Association (the bonds of which also bore a provincial guarantee) and other agricultural credit organizations, the exchange premium on external interest and debt payments, and the necessity of refunding large maturities under unfavourable conditions increased the debt and the

debt charges by substantial amounts. In addition to an increase of annual interest charges from $4 millions to $6 millions, relief expenditures chargeable to the province rose to more than $3 millions in each of the years 1932 and 1933.

These mounting obligations were met in part by the $5 millions deferred subsidy from the Dominion in 1931. However, in the years 1931-2-3 cash revenue collections averaged $2 millions a year less than in 1930, and the deferred subsidy, which was in effect used as current revenue during this period, only approximately compensated for the decline. To meet the extraordinary expenditures of the period, outstanding provincial debt was increased $29 millions. Of this total, $8 millions was borrowed from the Dominion to meet maturities and for relief purposes, and the balance from the public at effective interest rates as high as 6.78 per cent (on the $5 millions 15-year issue in April 1932). Of the total debt increase, $20 millions might be classified as net debt.

To summarize the 1930-33 period, the economic catastrophe was such that even with tax adjustments designed to offset the repeal of the land tax and the fall in provincial income, and the $5 millions deferred subsidy windfall taken into revenue, government income fell. In spite of marked economy in controllable expenditures such as salaries, education, and highway maintenance, mounting debt charges prevented any reduction in total expenditure classed as "ordinary", and this excluded the provincial share of relief. The rising debt and debt charges were in part due to the failure of the province to curtail its capital expansion program promptly enough (although in this instance its record is no worse than that of the other provinces), in part to the unsound condition of the province's agricultural credit enterprises, and in part to a number of factors such as unemployment and exchange depreciation over which the province

had no control. It was this period which was responsible for the increase of debt charges to a figure that alarms the public at the present time, for total interest and exchange charges in 1936-7 will actually be slightly less than they were in 1932-3. The following table summarizes the significant financial statistics of the period:

TABLE B
MANITOBA PUBLIC FINANCES**
(1930-33)

(Millions of Dollars)	(Fiscal Years ending April 30) 1930	1931	1932	1933	Total 1930-33
ORDINARY REVENUE (Cash Basis)					
Fixed Revenue (a)	3.1	3.7	3.6	3.7	14.1
Tax Revenue	6.2	5.2	4.1	5.4	20.9
Other Ordinary Revenue (b)	5.2	4.9	3.8	3.1	17.0
Total Ordinary Revenue	14.5	13.8	11.5	12.2	52.0
ORDINARY EXPENDITURE (Cash Basis)					
Interest	4.3	4.4	5.0	5.7	19.4
Exchange on Interest	–	–	0.2	0.3	0.5
Amortization and Sinking Fund	0.3	0.3	0.3	–	0.9
Social Services (excluding Education)	3.1	3.0	2.9	2.5	11.5
Other Ordinary Expenditure	6.1	6.8	6.2	5.7	24.8
Total Ordinary Expenditure	13.8	14.5	14.6	14.2	57.1
Net Adjustment for Accruals	0.5	0.1	0.6	–	0.2
ORDINARY SURPLUS OR DEFICIT (as per Public Accounts) (1)	0.2	0.6	2.5	1.9	4.8
INVESTMENTS IN OR WITHDRAWALS FROM CURRENT ASSETS (2)	0.8	3.4	3.9	0.8	0.5
CAPITAL AND SPECIAL EXPENDITURE OR REPAYMENTS					
Fully Self-Supporting Loans and Utility Investments	1.7	2.3	3.3	0.2	7.5
Fixed Assets (Highways and Public Works)	3.1	3.3	2.2	0.2	8.8
Other Loans and Investments (Agr. Cr. etc.)	0.4	0.8	3.8 (c)	1.2	6.2
Net of Discount, Exh., Cap. Rev., etc.	0.1	4.8 (d)	0.8	1.8	2.1
Relief—Prov. Expen. + Loans to Munic.	–	0.6	3.3	3.2	7.1
Total Capital and Special Expenditure (3)	5.3	2.2	13.4	6.6	27.5
INCREASE OR DECREASE IN GROSS DEBT i.e. sum of (1) + (2) + (3)	5.9	6.2	12.0	7.7	31.8
Increase or Decrease in Debt Retirement Funds	1.5	0.6	0.2	0.8	3.1
INCREASE OR DECREASE IN DEBT OUTSTANDING	4.4	5.6	11.8	6.9	28.7
TOTAL DEBT OUTSTANDING	81.	86.	98.	105.	
Active Assets (e)	39.	44.	44.	44.	
TOTAL NET DEBT (h)	42.	42.	54.	61.	
Of Which: Fixed Assets	40.	43.	45.	45.	
: Portion of "Other Loans & Investments" which bore full interest during year	15.	9.	7.	5.	

**For notes see table in Appendix.

FISCAL YEARS 1934-37

(Approximate calendar years 1933-36)

A series of crop disasters in Manitoba and Saskatchewan prevented any economic recovery from the depths of 1932-33. The sharp decline in general production was checked, and a slight upward tendency developed, but from such a low point that it gave very little assistance to provincial finances. In 1936-37 there was some acceleration in the upward movement, in spite of the spread of the drought area in south-western Manitoba. Had the value of production in a single year fallen to a figure which represented the average of 1931 to 1936, it would properly have been marked as a year of calamity. But when the province suffered from six consecutive years in which the net value of its production was little more than half of that of the preceding period, discouragement and strain throughout the province were inevitable.

The period opened with the imposition of a special income tax of 2 per cent, which was levied on the whole income of every single person earning at the rate of more than $480 a year and married persons earning at the rate of more than $960. The initial proposal was for a 1 per cent income tax and a sales tax, but the sales tax proposal was dropped, and the income tax raised to 2 per cent, making it the heaviest income tax in North America in relation to small incomes.

On the side of expenditure, further cuts were made in highway maintenance, education, and other items, reducing total ordinary expenditures for the year 1933-34 in spite of another increase in debt charges. Capital expenditures ceased entirely. Revenues gradually began to respond to the 1930-34 series of tax increases, and expenditures to the economies which had been introduced, with the result that in 1935 the province balanced its budget (except for a small

portion of its sinking fund appropriation) on all accounts except relief.

The following years conform to much the same pattern. Revenues were maintained at more than $14 millions—or about $3 millions more than in the late twenties. Expenditures, excluding relief (but including $400,000 to $500,000 annually for sinking funds and debt discount amortization) were held at a slightly lower level, and small surpluses appeared each year. British Columbia was the only other province reporting current surpluses. The following table summarizes the salient statistics of the period:

TABLE C
MANITOBA PUBLIC FINANCES**
(1934-37)

(Millions of Dollars)	(Fiscal Years ending April 30) 1934	1935	1936	1937 (Est.)	Total 1934-37
ORDINARY REVENUE (Cash Basis)					
Fixed Revenue (a)	3.8	3.6	3.7		
Tax Revenue	7.2	7.2	7.3		
Other Ordinary Revenue (b)	3.4	3.7	3.4		
Total Ordinary Revenue	14.4	14.5	14.4	14.2±	57.5
ORDINARY EXPENDITURE (Cash Basis)					
Interest	5.9	5.9	5.9		
Exchange on Interest	0.1	–	–		
Amortization & Sinking Fund	0.3	0.6	0.5		
Social Services (excluding Education)	2.5	2.7	2.7		
Other Ordinary Expenditure	5.0	4.8	5.0		
Total Ordinary Expenditure	13.8	14.0	14.1	14.0±	55.9
Net Adjustment for Accruals	0.6	0.3	0.2	0.2±	1.3
ORDINARY SURPLUS OR DEFICIT (as per Public Accounts) (1)	–	0.2	0.1	–±	0.3
INVESTMENTS IN OR WITHDRAWALS FROM CURRENT ASSETS (2)	1.0	0.7	0.1		
CAPITAL AND SPECIAL EXPENDITURES OR REPAYMENTS					
Fully Self-Supporting Loans & Utility Investments	0.2	0.1	2.3	0.5±	4.7
Fixed Assets (Highways & Public Works)	0.1	–	0.1		
Other Loans & Investments (Agr. Cr. etc.)	0.5	0.6	0.4		
Net of Discount, Exch., Cap. Rev., etc.	0.3	0.2	–		
Relief—Prov. Expen. + Loans to Munic.	2.6	4.5	4.5	4.7±	16.3
Total Capital and Special Expenditure (3)	2.3	3.6	1.9	4.2±	12.0
INCREASE OR DECREASE IN GROSS DEBT i.e sum of (1) + (2) + (3)	1.3	4.1	1.7	4.2±	11.3
Increase or Decrease in Debt Retirement Funds	0.7	1.7	0.8	1.5±	3.1
INCREASE OR DECREASE IN DEBT OUTSTANDING	0.6	2.4	2.5	2.7±	8.2
TOTAL DEBT OUTSTANDING	105.	108.	110.	113. ±	
Active Assets (e)	42.	43.	40.	40. ±	
TOTAL NET DEBT (h)	63.	65.	70.	73. ±	
Of Which: Fixed Assets	45.	45.	45.	45. ±	
: Portion "Other Loans & Investments" which bore full interest during year	8.	12.	8.	10. ±	

**For notes see table in Appendix.

Relief:

Relief became the outstanding budgetary problem. The province was forced to borrow not only its own share of relief expenditures from the Dominion, but also to borrow from the Dominion in order to reloan increasing amounts to the municipalities to finance their share of relief expenditures. A word should be said concerning the bearing of relief on the financial relations between municipalities and the province. The repeal of the major portion of the provincial land taxes put most of the rural municipalities in a better position to maintain their revenues, and by drastic retrenchment of educational and general expenditures they have been able, with relatively few exceptions, to maintain their solvency. The exceptions are notably those municipalities in the sub-marginal interlake lands, which are in chronic distress, and in the drought-stricken south-west corner. In the rest of Manitoba, the relief expenditures in the rural areas have been relatively negligible. Thus, apart from somewhat less than $1 million loaned by the Dominion to the province and reloaned by the province to the drought area municipalities, virtually the whole Manitoba relief problem is concentrated in Winnipeg and suburbs. The majority of the Winnipeg suburbs were caught by the depression in a vulnerable position, as a result of ambitious expansion programs, and were early forced into default. The provincial government was affected in two ways; the principal of the debentures of many of the defaulting municipalities had been guaranteed by the province, and the province had also to provide for the bulk of the current relief expenditures. The practice of guaranteeing municipal and hospital debentures and bank borrowings, without securing control or even detailed information of budgets, proved disastrous. The guarantees came home to roost when the guarantor was least prepared to meet them, and the Manitoba practice of including payments under such guarantees under the Public Accounts heading "Public debt charges" tended to obscure the situation.

Winnipeg itself entered the depression in an exceptionally strong financial position. As the chief urban centre of the West, however, it was perhaps called on to bear a disproportionate share of the relief burden. Some 84 per cent of all direct relief expenditures in the province have had to be made in Winnipeg and suburbs; including relief works expenditures the proportion is 74 per cent. Although Winnipeg's net debt was relatively low, the major portion of the provincial tax revenues were derived from the city, and there was little margin for increasing municipal revenues. Consequently, Greater Winnipeg was early forced to rely on the province for assistance in meeting its share of relief costs, and by the end of the fiscal year 1936 had borrowed $3½ millions, or 95 per cent of total municipal borrowings from the province, excluding the drought area. Up to that date the province had had to loan to municipalities one-third of their total expenditures on relief. These loans also accounted for nearly one-third of the province's borrowings from the Dominion.

In round amounts, the province's own expenditures on relief, including estimated disbursements up to the end of the 1936-37 fiscal year, will total $18½ millions. In addition, $5½ millions have been loaned to municipalities, and municipalities will have spent $9 millions more from their own resources. Of the $24 millions spent or loaned for relief purposes by the province, the Dominion will have advanced $19 millions, and will have paid an additional $20 millions for its own share, making with the municipalities' $9 millions a grand total of $53 millions relief expenditures by all agencies. The total annual cost has been steadily increasing in spite of some improvement in general conditions, and the province's share is now nearly $4 millions a year, to which may be added the $1-$2 millions which municipalities annually require to borrow. The following table summarizes the relief statistics of the depression years:

TABLE D
MANITOBA UNEMPLOYMENT RELIEF

UNEMPLOYMENT RELIEF EXPENDITURE
(Thousands of dollars)

Payments during fiscal year ending April 30th	Dominion Share	Provincial Share	Municipal Share	Total Expenditure
1931	560	560	430	1,550
1932	3,180	3,010	2,280	8,470
1933	2,940	2,680	2,180	7,800
1934	2,430	2,330	1,790	6,550
1935	2,030	2,550	2,570	7,150
1936	3,550	3,360	3,000	9,910
1937*	4,950	3,800	2,700	11,450
Total	19,600	18,300	14,900	52,800

*Including estimated expenditures from January to April 1937.

UNEMPLOYMENT RELIEF FINANCING
October 1, 1930, to April 30, 1937.
(Millions of Dollars)

DOMINION FUNDS	
Loans to Province	
For Provincial share of relief to Feb. 1, 1937	12.8
Reloaned to Municipalities to Feb. 1, 1937	5.4
Estimated Feb. 1, 1937 to April 30, 1937	0.9
Total Loans	19.1
Dominion Share of Relief (as above)	19.6
TOTAL DOMINION FUNDS	38.7
PROVINCIAL FUNDS	
From Provincial resources	4.6
Loans to Municipalities from Provincial resources	0.2
TOTAL PROVINCIAL FUNDS	4.8
MUNICIPAL FUNDS	
From Municipal resources	9.3
TOTAL UNEMPLOYMENT RELIEF EXPENDITURE	52.8

UNEMPLOYMENT RELIEF—CLASSIFICATION

October 1, 1930 to December 31, 1936
(Thousands of dollars)

	Dominion Share	Provincial Share	Municipal Share	Total Expenditure
DIRECT RELIEF				
Urban (Greater Winnipeg, Brandon, Portage la Prairie)	7,920	7,920	8,800	**24,640**
Rural	870	980	1,200	**3,050**
Other	390	650	–	**1,040**
TOTAL DIRECT RELIEF	**9,180**	**9,550**	**10,000**	**28,730**
OTHER RELIEF				
Relief Works	6,390	5,990	2,650	**15,030**
Drought Area	280	350	550	**1,180**
Single Men	1,830	1,060	280	**3,170**
Rural Rehabilitation	160	240	170	**570**
TOTAL OTHER RELIEF	**8,660**	**7,640**	**3,650**	**19,950**
TOTAL—ALL RELIEF	**17,840**	**17,190**	**13,650**	**48,680**

NUMBER OF PERSONS ON RELIEF

		Direct Relief	Rural Rehabilitation	Single Men's Commission	Relief Works	Total
Average	1933	66,020	1,625	10,029	15	**77,699**
	1934	67,790	2,286	9,764	80	**79,754**
	1935	67,722	2,951	10,673	1,198	**81,712**
November	1932	54,785				
	1933	65,838	2,115	9,928	–	**76,881**
	1934	61,853	2,560	6,705	260	**71,378**
	1935	62,194	3,244	11,122	4,006	**80,566**
	1936	66,356	4,464	6,570	4,138	**81,528**

In spite of this burden Manitoba has succeeded in keeping the increase in its net liabilities to the public and the Dominion down to about $2 millions a year during the period under discussion. In other words, the total increase in net debt for the whole period 1934-37 has only been about equal to the average increase in net liabilities for one year during the disastrous 1930-34 period. Another feature is that successive reductions of the interest charged on relief Treasury Bills have prevented the debt charges from rising proportionately.

Nevertheless, it is not difficult to understand dissatisfaction with a situation in which the province finds it impossible to supply its share of relief from its own resources in spite of strenuous efforts under adverse conditions.

Whether or not it is true that Manitoba cannot raise the necessary additional funds requires some examination of comparative burdens of taxation and trends of expenditure. Considering the different tax revenues, we note that Manitoba's income and 2 per cent special income taxes are jointly by far the heaviest in Canada; that the railway, insurance, bank and other corporation taxes are as heavy as or heavier than any in Canada; that the gasoline tax at 7 cents is at the same rate as in other Western Provinces (but with particularly limited exemptions) and although one cent below the Maritimes is one cent above Ontario and Quebec. (It should, perhaps, be noted that owing to the physical conditions and the need for rapid transportation over long distances, a gasoline tax in the West weighs much more heavily on the average citizen than one in the East). On the other hand, the automobile licence fee in Manitoba is below the average, although a factor to be considered is that Winnipeg also levies a licence fee of $5. Succession duty rates are above the average, and miscellaneous taxes, such as those on amusements, are probably so, on balance. The land taxes have been reduced as noted previously, but in spite of this

the proportion of Manitoba's revenue derived from taxation remains the highest of any province in Canada. It is more difficult to compare the tax basis of Manitoba and the Dominion, but a comparison can be made in respect of income tax (excluding the 2 per cent special income tax in Manitoba entirely). From 1926 to 1930 the provincial personal income tax was 37 per cent of the Dominion collections on personal incomes in Manitoba; from 1932 to 1936 the provincial collections equalled the Dominion collections. (In addition, the province was collecting approximately twice as much again through the 2 per cent Special Income Tax.)

On the side of expenditure, Manitoba's cuts in general government costs since the middle twenties are second only to those of Saskatchewan; her reductions on education, highway and public works maintenance, and in all capital expenditures, are greater than in any other province; the only categories in which expansion has occurred are public debt charges and social services (old age pensions and medical service). It should be remembered that Manitoba's population increased 100,000, or 16 per cent, between 1926 and 1936, and this naturally involved an increased liability for education, social services and other expenditures. It is our conclusion that Manitoba has done considerably more than most governments to meet its expenditures and obligations.

Nevertheless, the province has found that the steadily mounting liability for relief has reduced the possibilities of borrowing in the open market, in order to make necessary or desirable expenditures. That capital expenditures in connection with the highways and hospitals, and increased current expenditure for education, public health and highway maintenance (to mention certain main items only) will soon be essential cannot be doubted.

Assistance extended by the Dominion Government:

During the years of depression the province has received aid from the Dominion Government on a large scale. On

occasions this assistance has been afforded to enable the province to fulfil past commitments and avoid default. In this category is the Dominion Government guarantee of indemnification against loss, if any, resulting from the assumption by chartered banks of deposit liabilities of the Province of Manitoba Savings Office in February, 1932 ($7,121,825 as of November 30, 1936). There is also a Dominion guarantee securing bank advances obtained for payment of obligations of the province ($5,628,763 as of November 30, 1936). And, finally, the Dominion, by March, 1937, will have advanced some $19 millions to finance the bulk of the province's share of relief costs and provide funds for relief loans to municipalities. A summary of the figures appears below:—

Dominion guarantee re Provincial Savings Office and covering funds to provide for payment of obligations	$12,750,588
Dominion loans to assist in financing relief, (estimate to March 31, 1937)	19,000,000
	$31,750,588
Dominion Government's share of relief costs, (estimate to March 31, 1937)	20,000,000
Total assistance in the form of loans, guarantees and Dominion relief expenditures (estimate as at March 31, 1937)	$51,750,588

SUMMARY

1. In the body of the report we have expressed the view that the lightening of taxation which took place during the 1927-30 period was not wise, and that greater advantage should have been taken of the good years to build up sur-

pluses for bad times. We also made reference to the unduly large capital outlays of the 1929-32 fiscal years, and to the effect of pre-1922 capital expenditures on the financial position of the province.

2. We believe that during most of the period under review, and specifically during the last five years, the Government of the Province of Manitoba has made strong and commendable efforts to keep its budget balanced, and avoid unnecessary increases in debt, by imposing taxation on a scale at least as high as that of any other province in Canada, and by restricting expenditures as far as it was possible to go without curtailing services to an extent which would not have been in the public interest.*

3. In spite of Manitoba's efforts, the percentage increase in its revenues during the period 1926-36 has been smaller than that of any other province except one. There are two reasons for this apparently poor showing, namely:—

(a) The fact that Manitoba taxation at the beginning of the period was somewhat higher than average provincial taxation gave less scope for increasing the returns, and

(b) The incomes of the people of Manitoba were more severely and continuously affected by the depression than were those of the people of most other provinces. The economic situation which produced this result is also the cause of continued high costs of relief.

4. Over the seven fiscal years 1931-37 (the depression years) the average budgetary result on current account was a deficit of about $685,000. (Average contribution to sinking fund and debt retirement, approximately $355,000.) In

*The opinion expressed above should be supplemented by the statement that details of departmental expenditures were not examined. A detailed survey, which would necessarily be of a lengthy character, might conceivably disclose the possibility of further economies in some directions. It is likely, however, that such an examination would also bring to light cases where expenditures are below a desirable minimum. We believe that on balance further economies are not feasible.

the last few years there have been small surpluses after provision of \$4/500,000 annually for debt retirement. But for the whole period, relief charges not included in the above figures average some \$3,250,000 per annum.

5. We understand it to be the view of the Government that additional funds must be obtained for the preservation of the road system, for education and for mental institutions. While we do not feel qualified to estimate how large an amount is needed for additional expenditures of a character which cannot be postponed, we agree that some additional expenditures are inevitable, and we are not prepared to say that it is practical to increase revenues by further taxation.

6. There is no doubt that the substantial increases in debt incurred for relief purposes during the last six years have given cause for serious apprehension. The end of relief expenditures is not in sight, and there is undoubtedly a feeling that it is unwise for the province to continue to accumulate debt for this purpose.

7. Manitoba has been affected by the relatively low level of prices for agricultural products during the years 1930-35; by drought in some sections of the province; and by the indirect effects of drought and low prices further West. It has been fortunate in that the drought areas are predominantly situated outside the province. Notwithstanding this advantage and the efforts of its Government, which, as we have indicated, have been very considerable, the province is either not in a position to carry on, or is able to do so with assurance for no more than a short period, unless some unexpected favourable factor should appear. We do not regard it as our duty merely to examine whether the province can pay its way somehow or other in the next few months. It is rather for us to consider whether there is sufficient elasticity in Manitoba's economy to enable the pro-

vince, under reasonably good government, to conduct its affairs so that it may not become a burden upon the rest of the country, and, in particular, to become a burden of a kind which produces no permanent alleviation to the province itself.

8. The fact that Manitoba finds itself in the position described in this report indicates certain fundamental strains and weaknesses. And it seems to be the case that revenues are not adequate, or are not sufficiently elastic, to enable the province to bear the burdens which modern practices of government and the force of the depression have placed upon it. Manitoba does not stand alone in this respect. Other sections of the country are facing problems which may differ in degree from those of Manitoba but are not, in other respects dissimilar.

The above report contains the facts as we see them. It seems desirable that we should go further and express our views on the various solutions or partial solutions which have been suggested during discussions of Manitoba's problems. A letter on this subject will be forwarded within the next day or so; in order to avoid delay, this report is being despatched immediately.

For Bank of Canada,

(Sgd.) G. F. Towers,

Governor.

February 12th, 1937.

The Hon. John Bracken,
Premier of Manitoba,
Winnipeg.

Dear Mr. Bracken,

With reference to the concluding remarks in our report, which was forwarded to you yesterday, we express below some opinions in regard to the various proposals which have been made for dealing with Manitoba's problems. These proposals are:—

1. Refunding of outstanding debt by the issuance of new securities guaranteed as to principal and interest by the Dominion Government.

2. Refunding of outstanding debt by the issuance of new securities guaranteed only as to interest for a temporary period by the Dominion Government.

3. Refunding of high coupon bonds by the issuance of new securities guaranteed by the Dominion Government, the provincial subsidy being pledged as security for the guarantee.

4. The same procedure as outlined in 3, with the exception that assignment of the subsidy would constitute the bondholders' protection, and the Dominion guarantee would not be attached.

5. Appointment of a Royal Commission of Enquiry.

Naturally, it is not for us to express an opinion as to the Dominion Government's point of view in regard to the proposals which involve their participation. Dealing with proposals 1-4 from the provincial point of view, however, we hold the opinion that none of them represents a solution of Manitoba's problems, including relief, and Nos. 2, 3 and 4 involve a severe blow to Manitoba's credit.

The repercussions from default are manifold. The borrower is barred from capital markets for a long period of years; and this represents a very serious handicap unless it is the conviction that Manitoba has reached its maximum in population, in development and in requirements for public facilities which, in the ordinary course of events, could legitimately be afforded. I believe it to be the case, also, that investors are reluctant to place their money in business enterprises or new development in a territory the Government of which is in default. Indirect effects of this kind cannot be exactly appraised, but must certainly be taken into account.

As we state in the report, Manitoba does not stand alone in its difficulties as other sections of the country are facing problems which may differ in degree but are not in other respects much dissimilar. We do not see any solution other than that which might be provided by a comprehensive enquiry into the financial powers and responsibilities of all our governing bodies, and we are therefore led to the unqualified recommendation that a Royal Commission should be appointed for this purpose. Pending the report of such a Commission, it would appear to us that in the case of the Province of Manitoba the Dominion Government, in view of all the circumstances, would be justified in extending temporary financial aid.

Yours very truly,

(Sgd.) G. F. TOWERS.

Governor.

APPENDIX
MANITOBA PUBLIC FINANCES

The following statistics have been compiled from the Public Accounts and from information furnished us by the Government Departments. Necessary adjustments have been made to place them on a comparable basis during the period under review.
(Millions of Dollars . Fiscal Years Ending April 30)

	1916*	1921*	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937 Est
ORDINARY REVENUE (Cash Basis)														
Fixed Revenue (a)	2.2	2.8	2.4	2.8	2.9	3.1	3.1	3.7	3.6	3.7	3.8	3.6	3.7	
Tax Revenue	0.9	3.7	4.3	4.6	3.9	4.4	6.2	5.2	4.1	5.4	7.2	7.2	7.3	
Other Ordinary Revenue (b)	1.5	3.1	4.0	4.1	4.4	4.7	5.2	4.9	3.8	3.1	3.4	3.7	3.4	
Total Ordinary Revenue	4.6	9.6	10.7	11.5	11.2	12.2	14.5	13.8	11.5	12.2	14.4	14.5	14.4	14.2±
ORDINARY EXPENDITURE (Cash Basis)														
Interest	1.3	3.3	4.0	3.9	3.9	4.0	4.3	4.4	5.0	5.7	5.9	5.9	5.9	
Exchange on Interest	–	0.1	–	–	–	–	–	–	0.2	0.3	0.1	–	–	
Amortization and Sinking Fund	–	–	0.2	0.2	0.2	0.3	0.3	0.3	0.3	–	0.3	0.6	0.5	
Social Services (excluding Education)	0.7	1.9	1.6	1.9	1.9	2.5	3.1	3.0	2.9	3.5	2.5	2.7	2.7	
Other Ordinary Expenditure	2.8	5.0	4.8	4.8	5.3	5.8	6.1	6.8	6.2	5.7	5.0	4.8	5.0	
Total Ordinary Expenditure	4.8	10.3	10.6	10.8	11.3	12.6	13.8	14.5	14.6	14.2	13.8	14.0	14.1	14.0±
Net Adjustment for Accruals		0.1	0.5	–	0.4	0.4	0.5	0.1	0.6	–	0.6	0.3	0.2	0.2+
ORDINARY SURPLUS OR DEFICIT (as per Public Accounts) (1)	0.2	0.6	0.6	0.7	0.6	–	0.2	0.6	2.5	1.9	–	0.2	0.1	–
INVESTMENTS IN OR WITHDRAWALS FROM CURRENT ASSETS (2)	1.0	1.5	1.8	0.6	0.8	0.3	0.8	3.4	3.9	0.8	1.0	0.7	0.1	
CAPITAL AND SPECIAL EXPENDITURES OR REPAYMENTS														
Fully Self-Supporting Loans and Utility Investments	0.2	– –	[illegible]		1.[illegible]	1.4	1.[illegible]	–		[illegible]	0.2	0.1	2.3	0.5+
Fixed Assets (Highways and Public Works)	1.6	1.9	[illegible]	1.1	1.[illegible]	[illegible]	1		– –	[illegible]	0.1	–	1	
Other Loans and Investments (Agricultural Credit etc.)	1.[illegible]	[illegible]	[illegible]		0.1	[illegible]	[illegible]	[illegible]	[illegible](c)	1.2	0.5	0.6	0.4	
Net of Discount Exchange, Capital Revenue, etc.			0.1	–	0.1	[illegible]	[illegible]	4.8(d)		[illegible]	[illegible]	0.2		
Relief—Provincial Expenditure plus Loans to Municipalities	–	–	–		–	–	–	[illegible]	[illegible]	–	[illegible]	4.[illegible]	4.[illegible]	4.7
Total Capital and Special Expenditure (3)	3.3	13.1	1.7	1.5	2.9	5.0	5.3	2.2	13.4	6.6	2.3	3.6	1.9	4.2
INCREASE OR DECREASE IN GROSS DEBT i.e. sum of (1) + (2) + (3)	2.5	12.2	0.7	1.4	2.6	5.3	5.9	6.2	12.0	7.7	1.3	4.1	1.7	4.2
Increase or Decrease in Debt Retirement Funds	0.6	0.3	1.4	1.1	1.7	1.7	1.5	0.6	0.2	0.8	0.7	1.7	0.8	1.5±
INCREASE OR DECREASE IN DEBT OUTSTANDING	1.9	11.9	2.1	[illegible]	0.9	3.6	4.4	5.6	11.8	6.9	0.6	2.4	2.5	2.7
TOTAL DEBT OUTSTANDING	30	64	71	72	73	76	81	86	98	105	105	108	110	113. ±
Active Assets (e)	19.	32.	33.	35.	35.	36.	39.	44.	44.	44.	42.	43.	40.	40. ±
TOTAL NET DEBT (h)	11.	32.	38.	37.	38.	40.	42.	42.	54.	61.	63.	65.	70.	73. ±
Of Which: Fixed Assets	13.	25.	31.	32.	34.	36.	40.	43.	45.	45.	45.	45.	46.	45. ±
: Portion of "Other Loans and Investments" which bore full interest during year	4.	14.	15.	14.	17.	11.	15.	9.	7.	5.	8.	12.	8.	10. +

*Fiscal year ending November 30.

(a) Fixed Revenue consists of the Dominion subsidy and interest received from fully self supporting loans utility investments and the School Lands Fund.

(b) Other Ordinary Revenue includes earnings from various business enterprises and from fixed licences and fees which vary in yield with the business cycle.

(c) Includes Manitoba Farm Loans Association bonds guaranteed by the Province and held by the Provincial Savings Office, for which direct provincial obligations were substituted at the time of closure.

(d) Includes Deferred Subsidy of $4.6 million received from the Dominion and here treated as capital revenue. The Province actually received $4,823,000 but took $239,000 as interest into ordinary revenue.

(e) Consists of Current Assets, Fully Self-Supporting Loans and Utility Investments and the School Lands Fund Investments.

(h) As the table indicates this is arrived at by deducting from the Gross Debt all Active Assets Fully Self-Supporting Loans and Utility Investments. The following deductions have also been made: all sinking funds which are carried in the balance sheet as a trust account (a substantial proportion of which have been contributed by the self-supporting utilities which have not been correspondingly written down); and the School Lands Fund Investments for which the Province incurred no direct liability.

SASKATCHEWAN

BANK OF CANADA

Ottawa, March 6th, 1937.

REPORT OF THE FINANCIAL POSITION OF THE PROVINCE OF SASKATCHEWAN

In response to an invitation from the Premiers of Saskatchewan and Manitoba and the Minister of Finance of the Dominion Government, we undertook to make an examination of the financial positions of the Provinces of Manitoba and Saskatchewan. It was understood that the examination would not imply a detailed study of all departmental expenditures and revenue, but would constitute a broad, general survey of the provinces' positions and of the factors which have been responsible for the present situation. The examination in Saskatchewan, reported on below, was conducted along these lines.

An outline of Saskatchewan's recent financial history is a necessary background for any appraisal of the present situation and problem. We find that the years from 1920 to the present, reviewed in relation to economic conditions in the province, may be most conveniently divided into two major periods with distinctive characteristics.

In the text which follows, statistics are used as sparingly as possible; the salient figures will be found in summarized form following each section; more detailed statistics will be available, if desired, in the form of supplementary memoranda. The short time which could be devoted to the examination of Saskatchewan's financial position and the preparation of this report have not permitted the meticulous checking of statistical details which would otherwise have been desirable. But we have no hesitation in expressing the opinion that minor inaccuracies in the figures—if any exist—do not distort the picture, or affect the general conclusions which we have reached. The figures that follow will in all cases relate to fiscal years unless otherwise stated.

FISCAL YEARS 1921-29

(Approximate calendar years 1920-28)

The Economic Situation:

To an unique extent, the economic history of Saskatchewan is that of wheat. No other governmental unit in the world attempting to maintain a modern civilization and standard of living is so completely dependent on the production and marketing of one commodity—a commodity which under even normal conditions is subject to wide variations in production and price. On the average, about 85 per cent of the value of all net production in Saskatchewan is supplied by the agricultural industry, and about 80 per cent of the cash income of the agricultural industry is derived from wheat.

Although some diversification has been possible in certain areas, and although there has been an increase in subsistence farming in late years, the ability of Saskatchewan to maintain its present population at any acceptable standard of living, and to provide it with decent educational and medical facilities and a minimum economic security, rests entirely on its ability to grow wheat and sell it in the markets of the world. This is true to such an overwhelming extent that it is not only the salient feature in Saskatchewan's economic history, but it also determines the criteria by which Saskatchewan's financial policies must be judged. What might be sound public finance in a diversified and stable economy would not be so in Saskatchewan.

For the five years 1920 to 1924, Saskatchewan had an average annual wheat crop of nearly 200 million bushels. This average might be considered a normal one, although the yield was irregularly distributed and in nearly every year some districts were in distress. The average price received on the farm through this period was about 90 cents per bushel, but costs were extremely high. For example, the

cost of the threshing and binder twine alone for the 1921 crop was estimated at $68 millions, or about half the total value of the crop. In 1923 and 1924, the value of the crop dropped off sharply, owing to lower prices in 1923 and a small crop in 1924, but costs were believed to have been reduced at least equally. The 1920-24 period as a whole was one in which gross agricultural income was only fair, and net profits were disappointing and mal-distributed. The chief other field crops showed little change in the aggregate, oats declining and barley expanding somewhat. Some growth occurred in livestock and dairy production. Other Saskatchewan industries showed negligible changes and remained of minor importance.

In the four years 1925 to 1928, however, Saskatchewan agriculture flourished. Wheat crops averaging 260 million bushels sold at an average price of $1 at country delivery points during this period, and the returns were on the whole well distributed. Gross agricultural income was about $400 millions a year. As from 1927, the prosperity of the primary industry stimulated a sharp expansion in the railway construction and secondary industries; even so, their total volume was still of small absolute importance. Mining was on the whole disappointing for, although some progress was made in the Estevan coal fields, the high hopes once held for the briquetting process there were not realized, and the frequent reports of oil, gold and base metal discoveries in the north failed to materialize, with the exception of the Flin Flon mine. But, on the whole, the net cash income of the average citizen in Saskatchewan during this period probably exceeded that in any other economy in the world of about equal population, with the exception of certain areas in the middle west of the United States.

THE FINANCIAL SITUATION:

Saskatchewan entered the period under review with the smallest western public debt. On a per capita basis, the

Saskatchewan provincial debt was only a little more than half that in the neighbouring prairie provinces. Moreover, ordinary and capital expenditures and taxation were all substantially lower than in the neighbouring provinces.

A surplus in the 1920 fiscal year afforded the government an opportunity to repeal the supplementary revenue tax (the last of the land taxes levied at a flat rate per acre) leaving a relatively simple taxation structure. The main sources of provincial government revenue were taxes, chiefly land (about 40 per cent), automobile licences, land title fees and miscellaneous other fees (about 20 per cent), and the Dominion subsidy and the school land fund interest payments (about 30 per cent). The only general tax was the 2 mill Public Revenue levy on the assessed value of the land, and this accounted for about 20 per cent of total provincial revenue. Unoccupied lands taxation yielded somewhat less than half as much, and the balance of the direct taxation total was made up chiefly of succession duties and corporation and railway taxes, all of which were little more than nominal. There was no provincial income or personal property tax, gasoline tax, amusements tax or tax on non-alcoholic drinks, although such taxes then existed or were shortly to be imposed in the neighbouring provinces. It is only fair to add, however, that throughout the twenties Saskatchewan was contributing substantially to the prosperity of business —and tax payers—in other sections of the country.

On the side of expenditure, Saskatchewan had relatively low public debt charges, and when interest received on the province's own investments was deducted, only nominal net debt charges. Administrative expenses of government were also kept at low levels. Capital expenditures had been moderate—almost surprisingly so in view of the extensiveness of the settled area requiring modern facilities and the brief period which had elapsed since the formation of the province.

On the other hand, expenditures on education, and to a lesser extent on public health, were relatively high, although it cannot be said that they were excessively high. The close connection between educational expenditures and the provincial land tax should be pointed out. Saskatchewan school grants were $750,000 to $800,000 higher than if the Manitoba or Alberta scales had been adopted. When comparing Saskatchewan taxation or Saskatchewan expenditures on education with other provinces, it must be remembered that about one-half of the provincial land tax collected from the municipalities was immediately redistributed to the municipal school districts. This system helped to equalize the great financial disparities that existed between school districts, and it appears that it might have been advantageously extended further. However, the amount involved should be deducted from both taxation and education expenditure totals in making comparisons with other provinces in which the municipal school districts themselves raised a larger portion of the funds required for education. It is not unlikely that the physical, economic and population characteristics of Saskatchewan make it necessary for larger per capita expenditures on education and health than elsewhere, if adequate standards are to be maintained. Nevertheless, although this is a field of expenditure in which stinting may prove a most shortsighted economy, it is also a field in which a great deal of money can be wasted. It would appear that the curricula and the educational system in Saskatchewan were not particularly well adapted to the needs of the province, and that the effort to set up systems similar to those in vogue in other parts of the continent did not give the greatest value for the money spent.

To sketch the financial history of the 1920-29 period in brief chronological outline, we find the province entering the period with a $1.8 millions cash surplus in 1919-20. This surplus was the occasion for the abolition of the one cent an

acre supplementary revenue tax, leaving the province with the revenue structure outlined above. In the next five years (i.e., to the fiscal year 1924-5) the economic conditions were not in general favourable. While, as already indicated, wheat crops of approximately average volume were being produced, the yield was irregularly distributed and production costs were high. At first, ordinary expenditures rose rapidly, and capital expenditures, particularly in connection with the Farm Loans Board, were large. In the fiscal years 1921-22-23 cash deficits on ordinary account totalling $2½ millions were accumulated, and gross debt grew by $5 to $6 millions a year. Revenue collections, though increased, were disappointing. The government decided against making any tax increases at this time, since it expected to collect the major portion of the accumulated arrears, and was fortified by the preceding surplus. A policy of retrenchment was adopted, which balanced the budget in 1924 and 1925. The statutory expenditures on education and public health increased (13 per cent from 1922 to 1925) but other expenditures were cut by 24 per cent. Capital expenditures were reduced sharply, partly because of the alarming financial results from the large scale venture in the farm loan business. The estimates for 1925-26 (capital and ordinary) at $15½ millions were $11 millions lower than in 1921-22.

At the close of the 1924-25 fiscal year Saskatchewan was in a comparatively strong financial position with a gross and a net debt of about half the per capita figure in the two adjoining provinces, and its net debt charges (i.e., interest paid, less interest received on its own investments) were the relatively negligible figure of $800,000 annually. The chief business enterprise of the government—the telephone system—was fully self-supporting, and the Farm Loans Board was approximately carrying itself, although making no provision for possible losses. The government investment in the Co-operative Creameries was not as fortunate, but the amount involved was still small.

In 1925, an extremely favourable economic period opened. Revenues were buoyant, and in addition there were other favourable developments in the provincial finances. The money required during the war had been borrowed at high interest rates, but for short terms or on a callable basis. Loans then issued at effective interest rates of 6½ per cent were now being refunded at less than 5 per cent, with a saving of $330,000 in 1925-26 alone. A second factor was the entry of the province into the liquor business in 1925. Profits of about $2 millions a year were at once realized. These were initially allotted to debt retirement, but a steadily increasing portion was taken into ordinary revenue. (For comparative purposes our figures include all Liquor Board profits in ordinary revenue throughout.)

As a result of the improved outlook, the Public Revenue tax was reduced from 2 to 1½ mills. It is illuminating to note that at this time the Manitoba scale of taxation would have raised an additional $1½ millions a year in Saskatchewan, and also that the province's expenditure on education—relatively the highest in Canada—would have been lower by $750,000 if Manitoba or Alberta schedules of school grants had been substituted. In other words, the province was able, thanks largely to low debt charges and economical general administration, to take over a somewhat larger share of the educational burden on land and municipalities, without increasing any other taxes.

In the four fiscal years 1926-27-28-29, surpluses on ordinary account totalling $340,000 were shown in the Public Accounts. Yet the total official surplus for these four extraordinarily prosperous years was slightly less than the average weekly debt increase into the six years ending 1936. (It might be proper to add the portion of the Liquor Board profits which were not taken into revenue to the ordinary surpluses as shown, and make certain other desirable adjustments, including an allowance for amortization of

debt discount, which would show a total surplus on ordinary account for the four year period of $4,440,000.)

Demand for major extensions of the highway system grew, and capital expenditures for this purpose began to increase rapidly. Maintenance charges were high, as Saskatchewan followed the practice of charging improvements, such as gravelling, to ordinary expenditure. In order to meet the increased highway expenditure, a gasoline tax (of 3 cents) was imposed in 1928-29. Saskatchewan was the last province to impose such a tax, and it was pointed out at the time that the new gasoline tax failed to make up for the land tax reductions since 1920. The imposition of the gasoline tax was followed by a $5 reduction in automobile licence fees.

To summarize, from 1920 to 1929, Saskatchewan's debt, expenditure and taxation were held considerably below the comparable figures of the other provinces west of Quebec. The increasing educational and medical expenditures were being paid for, in effect, out of liquor profits, and land taxation had been reduced. The mounting highway expenditures had been met from the growing automobile licence revenues and the new gasoline tax. In addition, a small reserve from liquor profits had been accumulated, leaving only a slight increase in net debt. In a stable economy, this would have been a highly satisfactory showing. Judged by the criteria which must be applied to Saskatchewan, however, a decrease in the net debt would have been appropriate. The lack of any adequate reserves for possible fluctuations in wheat crops or prices was a fundamental weakness. It appears that the taxation system was not designed to secure any substantial revenues in good times from a society in which there were few large incomes, but a relatively high average evenly distributed.

The following table summarizes the salient statistics of the period:—

TABLE A
SASKATCHEWAN PUBLIC FINANCES*
(1926 - 29)

(Millions of Dollars)	(Fiscal Years ending April 30)				
	1926	1927	1928	1929	Total 1926-29
ORDINARY REVENUE (Cash Basis)					
Fixed Revenue (a)	3.1	3.4	3.5	3.5	**13.5**
Tax Revenue	4.2	4.1	3.6	4.9	**16.8**
Other Ordinary Revenue (b)	6.5	6.5	7.5	8.6	**29.1**
Total Ordinary Revenue	**13.8**	**14.0**	**14.6**	**17.0**	**59.4**
ORDINARY EXPENDITURE (Cash Basis)					
Interest Charged to Ordinary Revenue	2.8	2.9	2.9	2.9	**11.5**
Interest on Treasury Bills held by Dom. Capitalized	—	—	—	—	—
Exchange and Commission (c)	—	—	—	—	—
Sinking Fund	—	—	—	—	—
Total Debt Charges	**2.8**	**2.9**	**2.9**	**2.9**	**11.5**
Social Services	1.7	1.9	1.9	2.4	**7.9**
Education	3.8	3.4	3.8	3.8	**14.8**
All Other (d)	4.4	4.5	5.0	6.5	**20.4**
Total Ordinary Expenditure	**12.7**	**12.7**	**13.6**	**15.6**	**54.6**
ORDINARY DEFICIT OR SURPLUS (Cash Basis)	**1.1**	**1.3**	**1.0**	**1.4**	**4.8**
ORDINARY DEFICIT OR SURPLUS (Cash Basis as per Public Accounts)	**0.1**	**0.1**	**0.1**	**0.1**	**0.4**
Increase or Decrease in Accounts Payable (e)	—	—	—	—	—
Amortization of Debt Discount	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.4)**
(1) Sum of Ordinary Deficit or Surplus Increase or Decrease in Accounts Payable and Amortization of Debt Discount					
(2) Increase or Decrease in Accounts Receivable (e)					
(3) Investments in or Withdrawals from Current Assets (e)					
(4) Net Capital Expenditures or Repayments	**0.3**	**1.4**	**2.6**	**4.2**	**8.5**
(5) Relief Deficit (f)	—	—	—	—	—
(6) Miscellaneous, Debt Discount, etc.					
(7) Increase or Decrease in Sinking Fund Investment Account	**0.9**	**0.6**	**0.2**	**0.4**	**1.7**
INCREASE OR DECREASE IN GROSS LIABILITIES TO PUBLIC sum of (1) to (7)	**0.2**	**0.3**	**1.2**	**6.1**(e)	**7.2**
Increase or Decrease in Sinking Funds	0.9	0.6	0.2	0.7	**0.6**
INCREASE OR DECREASE IN DEBT OUTSTANDING	**1.1**	**0.3**	**1.0**	**5.4**	**7.8**
TOTAL DEBT OUTSTANDING	**55.**	**56.**	**57.**	**62.** (e)	
Liquid and Full Revenue Bearing Assets (g)	29.	29.	30.	36.	
NET DEBT	**26.**	**27.**	**27.**	**26.**	
Of which: Fixed Assets	31.	32.	33.	36.	
Portion of Other Loans and Investments which bore full interest during year	9.	7.	8.	9.	

*For notes see table in Appendix.

FISCAL YEARS 1930-37

(Approximate calendar years 1929-36)

THE ECONOMIC SITUATION:

In 1929, a partial drought reduced the wheat crop by 100 million bushels from the average of the four preceding years (to 160 million). The previous momentum carried other industries on to new records, however, and it was only in comparison with the immediately preceding years that 1929 could be considered an exceptionally adverse year, as it was described at that time. It was not astonishing, after four years in which the average crop was 70 million bushels above the 1915-29 average, that the yield in the fifth year should drop to 30 million bushels below the average. It is astonishing that the province was largely unprepared for such an event.

From 1930 to 1936, the story is a different one. We are all familiar with the sequence of crop failures which, in the earlier of these years, coincided with the lowest wheat price in centuries. One fact alone will serve to illustrate the economic history of this period. The four southern crop districts, which is the area in Saskatchewan most affected by the drought, contain 50,000 of the 130,000 farms in the province, and normally produce half the marketable wheat surplus. The value of the marketable surplus in this area, for the six years 1930 to 1935 together, was less than the average value in one year in the 1925-28 period. For the province as a whole, the gross value of agricultural production, which averaged $340 millions a year for the 1920-29 decade, fell 60 per cent to an average of $135 millions in the next six years. Net values and cash incomes fell even more. At the same time, agricultural fixed charges in the form of interest and tax arrears rose sharply. The small secondary industries, the construction industry, and the retailing, distributing and servicing trades, collapsed when the net in-

come from wheat almost disappeared. For example, building contracts fell from $34 millions in 1929 to $800,000 in 1933. Retail sales (including purchases made with relief vouchers, etc.) dropped to less than half the 1926 level. Sales of gasoline and liquor (both important sources of provincial revenue) fell by half and two-thirds respectively. The number of automobiles registered declined by more than one-third. In brief, the economy had, for the time, almost ceased to function. Buildings, equipment, stock, and in the drought area even the land itself, deteriorated rapidly, and capital values had so shrunk that land was unsaleable at a fraction of the indebtedness it carried. Sole bright spots were the improved farming methods, which made possible slashing reductions in costs, and the courageous spirit of the people.

THE FINANCIAL SITUATION:

Before discussing the results of the period in detail, some general observations on the figures we give should be made. It has been necessary to make considerable adjustments in the official figures of revenue, expenditure and deficits, in order to secure a clear view of the situation. In earlier years, the official ordinary revenue and expenditure accounts did not include the portion of liquor profits used to retire debt, deposited in sinking funds, or retained as reserves. In 1929-30 the accumulated reserve of $1½ millions was taken into revenue, and since 1931-32 total liquor profits have been treated as ordinary revenue. Net deferred charges totalling $1 million from 1927 to 1934, are not shown in ordinary expenditure, although in several of the years the deferred charges were items properly chargeable directly to ordinary expenditure. The practice has been followed of charging superannuation account deficits (which are now about $130,000 a year), and certain departmental advance account deficits (which in one year reached $250,000) directly to Consolidated Fund, rather than to

ordinary expenditure. Advances have been made to the Farm Loans Board, with which the Board has paid interest due to the government, thus swelling the ordinary revenue (in 1935-36 by $344,000). The advances were shown as capital assets. The interest on relief treasury bill borrowings from the Dominion has not been shown in ordinary expenditure, but has simply been added directly to the capitalized relief deficit in the balance sheet. No reduction has yet been made by the province for the write-offs of relief borrowings subsequently made by the Dominion. The necessary adjustments for these various factors increase the actual cash surplus prior to 1928-29 and increase the actual cash deficit substantially since that date, as compared with the official statements. In addition, annual provision has not been made for debt discount amortization, which should now amount to about $270,000 a year.

In the first three fiscal years (1930-32) of the period, actual cash deficits on ordinary account averaged $3.9 millions a year or, including debt discount amortization and the increase in accounts payable, slightly more. In the same period, a very large capital expansion programme was carried out. Until that time, Saskatchewan had tended to leave the provision of public utility services to private or local enterprise. Under the circumstances then existing, the new programme can only be described as grossly extravagant. On highways, public buildings, telephones, power, and farm loans $30 millions were spent, about half being on roads. In addition, a $13.3 millions liability (against which collateral security was held) was incurred through implementation of the guarantees given on Wheat Pool borrowings from the banks. Finally, in 1931-32, the provincial share of relief expenditures added $13 millions to the debt. As a result of all these factors, the outstanding debt of Saskatchewan was more than doubled in the three year period. Public debt charges also doubled, and even more serious, interest paid less

interest received from the province's own investments, rose from about $1 million to $3½ millions per annum. In addition, the province guaranteed some $4 millions of municipal borrowings for agricultural relief—guarantees which the province will now have to implement under the debt adjustment arrangement.

During this period, the only tax change of any importance was an increase of 2 cents in the gasoline tax in 1930-31. Revenue collections (adjusted figures) fell $3.8 millions from 1930 to 1932. About $1 million of the fall was in tax revenues, and more than $3 millions in interest received from various agricultural and associated investments, trading activities, licences and fees, and other sources dependent on general business activity. The difficulty of obtaining additional tax revenues from the depleted provincial income must not be ignored, but the fact remains that the scale of taxation was extremely low.

During this period of excessive capital expenditures, there was little retrenchment in ordinary expenditures. The only substantial cut was in highway maintenance, but this was to some extent more apparent than real as a considerable amount of improvement was being capitalized, instead of charged to maintenance as before. In 1931-32, Civil Service salaries were reduced 5 per cent on the first $1,000 and 10 per cent on all above $1,000.

In 1932-33, a determined effort was made to increase revenues and reduce expenditures. Virtually all capital expenditures ceased. The public revenue tax was increased from 1½ mills to its pre-1927 figure of 2 mills; motor vehicle licence fees were raised $5 (except for farm trucks) virtually restoring them to the 1929 level; the gasoline tax was raised a cent to 6 cents; corporation, bank, and insurance company taxes were increased sharply; and an income tax starting at $750 (single) and $1,500 (married) was intro-

duced. Education expenditures were cut by a full third in the first year of the new policy alone, and all other departmental expenditures were substantially reduced, with the exception of the public debt charges. Total expenditure, including capitalized interest and exchange, was reduced $2 millions in the one year 1932-33. (When adjusted for changes in accounts payable, however, total expenditures declined only about half a million.)

From then to the present time, Saskatchewan has made drastic economies in all controllable and capital expenditures. Additional cuts in Civil Service salaries have been put in effect. In many cases the retrenchment has gone too far to permit the government to perform its functions satisfactorily and efficiently or to maintain its capital assets. The lack of adequate maintenance expenditure on the highway system, for example, has allowed it to deteriorate, so that much larger sums will now be necessary to rebuild it. It is difficult to single out the individual services which have suffered most severely, but something should be said of the need for additional expenditure for the care of the insane and for cases of serious illness, and also concerning the plight of education in general and rural school teachers in particular. The school teachers are in part the responsibility of the rural municipalities which, however, are, in a large part of the province, completely bankrupt. The current level of teachers' pay is distressingly low, and the standards of education must eventually suffer.

In brief, retrenchment of ordinary expenditures has been carried as far as, and in some instances farther than reasonable, and current ordinary expenditures are at a level which it may be neither possible or desirable to maintain. Although slow in starting, since 1932-33 Saskatchewan has made greater cuts in virtually all controllable expenditures than any other province, with the exception in some instances of Manitoba.

Efforts to increase revenues have not been so heroic. While fully realizing the burden of present taxes on an income which has shrunk to a fourth of that in the late twenties, and is now yielding a greater tax revenue than at that time, a comparison of the present tax structure in Saskatchewan with that in other provinces indicates that the Saskatchewan scale is still somewhat low. Approximately half of the most general tax—the Public Revenue tax—may still be looked on as being collected on behalf of the school districts for educational purposes. The next largest (and recently the largest) tax is the gasoline tax, which at 7 cents a gallon is a heavy one in relation to the distances which must be travelled, but which exempts about one-half of the total gasoline or similar fuel consumption in the province. In addition, the exemption feature is abused, to an indeterminate extent. Automobile licences are at approximately the same rate as in 1929. The inheritance tax and the income tax touch a relatively small portion of the population. Corporation and railway taxes are of necessity limited, in the latter case particularly because of existing tax-exemption provisions. It is difficult for Saskatchewan to increase its revenues from corporations or personal income taxes since few large net incomes are domiciled in Saskatchewan (only seven individuals reported incomes of $15,000 or more in the latest published returns) although Saskatchewan residents may help create such incomes in other sections of the country.

In the five fiscal years 1933 to 1937, in spite of drastic retrenchment and substantial tax rate increases, the deficit on ordinary account (adjusted figures including interest on relief treasury bills) averaged $3 millions, and in the current year will be approximately $4 millions. If debt discount amortization (which has not been provided) and the increase in outstanding accounts payable are added, the deficit would be increased by an average of half a million a year. (Against

this there has been an increase of some $6 millions in accounts receivable during the same period, but many of these are of doubtful value.) Current revenues now approximate to the levels of the late twenties. Increased interest of about $1 million paid by the Telephone and Power Commission systems and by the Wheat Pool, and an increase of about $1 million in tax receipts virtually offset a fall of somewhat more than $2 millions in trading profits, automobile licences, and interest received from agricultural enterprises. The Farm Loans Board which now owes the province nearly $20 millions, has paid interest on approximately $2½ millions a year for the last six years. Current expenditures, other than debt charges, are somewhat lower than towards the end of the twenties, but debt charges have soared from $3 millions in 1927-8-9 to current annual totals of $6½ millions due the public, plus $2 millions in sinking fund charges, relief treasury bill interest due the Dominion, and in respect of other capitalized or unprovided for items not now shown in ordinary expenditure. Net debt charges (interest etc. paid less interest received, including the capitalized interest on relief treasury bills) averaged less than $1 million a year from 1926 to 1930, but are now something over $5 millions. About two-thirds of the increase in fixed charges occurred in the 1930-33 period. Since then relief borrowings have increased tremendously, but successive reductions in the relief treasury bill rates have prevented a similar growth in the interest paid or capitalized.

The existing situation on current account is not hopeless. Since the organization of the Board of Revenue commissioners and the reorganization of the Audit Department, encouraging progress has been made in improving the formerly unsatisfactory accounting system and tax administration of the province. With improvement in crop yields, and with a tax system adjusted to approximately the same level as in Manitoba, the present deficit on current account could be

met, and provision made for some of the essential services now being neglected. During the prosperous years the province saw fit to maintain a system of taxation which gave negligible results in relation to the income of that period, and after prosperity waned it was somewhat belated in making adjustments. It seems inevitable that an effort must now be made to pay from current income for those current services which are desired. The present schedule of taxation cannot produce this result on the basis of the present income level; it is not particularly well adapted to securing a fair share of revenue from any prosperous or moderately well-to-do rural sections; and it is somewhat below that in neighbouring provinces.

The possible improvements indicated above are partly dependent on better crops, and there is, therefore, no assurance that the gap between ordinary revenues and ordinary expenditures can be completely closed. And even if this were accomplished, it still could not be said that the province was on a sound financial basis. Deferred capital and maintenance expenditures are mounting, and the relief liability has grown to enormous proportions. The next few months will probably see new record disbursements by the province and the Dominion, with the Dominion bearing the major portion of the burden through the assumption of the total cost of relief and agricultural rehabilitation in the drought area.

The following table summarizes the financial statistics of 1930-37:—

TABLE B
SASKATCHEWAN PUBLIC FINANCES*
(1930 - 37)

(Millions of Dollars)	1930	1931	1932	1933	1934	1935	1936	1937 Estimate	Total 1930-37
	(Fiscal Years Ending April 30)								
ORDINARY REVENUE (Cash Basis)									
Fixed Revenue (a)	3 6	3 7	4.1	4.8	4 8	4 8	4 8	± 4.6	35 2
Tax Revenue	4.4	4.6	3.5	4.6	4.6	4.6	5.2	± 5.5	37 0
Other Ordinary Revenue (b)	7.4	6 2	4.0	4 4	4.0	4 1	4.9	± 4.9	39 9
Total Ordinary Revenue	15.4	14.5	11.6	13.8	13 4	13.5	14 9	±15 0	112 1
ORDINARY EXPENDITURE (Cash Basis)									
Interest Charged to Ordinary Revenue	3 3	3.9	5.1	5.7	6 3	6 3	6.6	± 6.5	43.7
Interest on Treasury Bills held by Dominion, Capitalized	—	—	—	0 4	0 7	1 4	1.2	± 1.4	5 1
Exchange and Commission (c)	—	—	0 2	0 3	0 1	—	0.1		0.7
Sinking Fund	—	—	—	0.2	0 2	0.2	0 3	± 0.3	1.2
Total Debt Charges	3.3	3 9	5.3	6 6	7 3	7.9	8 2	± 8.2	50.7
Social Services	3 1	3 5	3 0	2.6	2 7	2.9	3 0	± 3.2	24 0
Education	4.0	4 5(h)	4.5(h)	2 9	2.5	2 6	3 1	± 3.0	27 0
All Other (d)	7.1	6 4	4.5	3 2	3.3	4.3	3.3	± 4.5	36.7
Total Ordinary Expenditure	17.5	18.3	17 3	15.3	15.8	17 7	17 6	±18.9	138.4
ORDINARY DEFICIT OR SURPLUS (Cash Basis)	2 1	3 8	5 7	1 5	2 4	4 2	2 7	3 9	26 3
ORDINARY DEFICIT OR SURPLUS (Cash Basis as per Public Accounts)	0 5	3 8	5 8	0 6	1 4	2 7	0 9	2 3	15 0
Increase or Decrease in Accounts Payable (e)	0 4	0.7	0.7	0.7	0.3	0.2	0 4		
Amortization of Debt Discount	0.1	0.1	0.2	0.2	0.2	0 3	0 3	± 0.3	
(1) **Sum of Ordinary Deficit or Surplus, Increase or Decrease in Accounts Payable and Amortization of Debt Discount**	2 6	4.6	5.2	2.4	2 9	4.7	3.4	± 4.2	30.0
(2) **Increase or Decrease in Accounts Receivable** (e)	1.0	1.8	1 8	2.2	1 5	1.7	0 5		8.5
(3) **Investmentsin or Withdrawals from Current Assets** (e)	1.9	1 4	1 5	2 1	1 3	3 7	0.6		7.5
(4) **Net Capital Expenditures or Repayments**	9 0	14.8	19.2	0 1	0 7	0.2	0 9		44 5
(5) **Relief Deficit** (f)	0.7	1.5	12.5	6 0	6.1	13 6	9 9	± 8.0	58.3
(6) **Miscellaneous, Debt Discount, etc.**	—	0.3	1 0	0 6	0 1	1 0	1 1		3 9
(7) **Increase or Decrease in Sinking Fund Investment Account**	0 9	0 3	0.1	0 4	0 8	0 5	0 5		3 3
INCREASE OR DECREASE IN GROSS LIABILITIES TO PUBLIC, ie Sum of (1) to (7)	12 3	21 1	37 5	9 4	10 2	21 6	14 7	12 2	139 0
Increase or Decrease in Sinking Funds	1.5	0.7	0.4	0.8	1 2	1.0	1.1	± 1.0	7.7
INCREASE OR DECREASE IN DEBT OUTSTANDING	10 8	20 4	37 1	8 6	9 0	20 6	13 6	11 2	131 3
TOTAL DEBT OUTSTANDING	73.	93.	131.	140.	149.	169.	183.		
Liquid and Full Revenue Bearing Assets (g)	37.	42.	57.	60.	60.	63	62		
NET DEBT	36.	51.	74.	80.	89.	106.	121		
Of Which: Fixed Assets	42	51.	54.	54.	54.	54	55		
: Portion of Other Loans and Investments which bore full interest during year	8.	3.	2	2	3.	3.	7		

*For notes see table in Appendix

Relief:

In no other province of Canada is the relief problem so acute. It is unnecessary to recite the desolation which successive droughts have brought. At present one-third of the rural population and 13 per cent of the urban population are on relief. It may be helpful to summarize the expense, up to the end of the calendar year 1936. The total has been $110 millions (excluding a small unreported amount raised and spent directly by municipalities) of which municipalities have raised $5 millions and the province $13 millions plus $5 millions in guaranteed loans to municipalities. The remaining $87 millions have been contributed by the Dominion, some $40 millions outright (including about $10½ millions in accountable advances which the Dominion has undertaken to cancel) and the balance in loans or guarantees. The Dominion has further undertaken to cancel nearly $18 millions of loans in the drought area as part of the debt adjustment agreement. The Dominion has also assumed complete responsibility for the care of approximately 125,000 people (December, 1936) in the drought area as a result of the decision to recognize last year's drought as a national emergency. In addition, the Dominion is committed to substantial expenditures in its reclamation programme for the drought area.

To relate the cost of relief to the financial situation, we may note that the total relief expenditures since 1930 have exceeded the total ordinary revenues of the province for the same period. The province's own share of relief expenditures, plus its relief loans to municipalities, exceeds the total expenditure on roads and bridges since the formation of the province.

Of the $110 millions, $44 millions have been expended on direct relief, $42 millions on agricultural aid, and $16 millions on public works, the balance being accounted for

by capitalized interest on relief treasury bills and miscellaneous expenditures. Relief of a somewhat different kind should also be noted—the cancellation of tax arrears by municipalities of seed and other relief loans by the province and Dominion, and of interest arrears by loaning companies, in addition to large interest and principal losses already assumed by them through defaults or individual adjustments.

The following table summarizes the relief statistics of the depression years:—

TABLE C
SASKATCHEWAN UNEMPLOYMENT RELIEF

UNEMPLOYMENT RELIEF EXPENDITURE (a)

(*Thousands of dollars*)

Fiscal Years Ending April 30	Dominion Share (i)	Provincial Share (ii)	Loaned by Province to Municipalities (iii)	Municipal Share Financed by Municipalities (b) (d) (iv)	Total Municipal Shares (c) (v)	**Total Expenditures All Govts.** (vi)
1930	—	677	—	1,574	1,574	**2,251**
1931	1,093	1,722	40	3,908	3,948	**6,763**
1932	8,014	10,599	415	948	1,363	**19,976**
1933	6,555	5,430	675	390	1,065	**13,050**
1934	2,890	7,429	2,101	772	2,873	**13,192**
1935	8,202	9,356	3,117	974	4,091	**21,649**
1936	7,969	5,897	5,464	583	6,047	**19,913**
1936*	6,325	2,517	741	3,252	3,993	**12,835**
Total	**41,048**	**43,627**	**12,553**	**12,401**	**24,954**	**109,629**

*May 1, 1936 to December 31, 1936

UNEMPLOYMENT RELIEF—CLASSIFICATION
September 1, 1929 to December 31, 1936

(*Thousands of dollars*)

	Dominion Share (i)	Provincial Share (ii)	Loaned by Province to Municipalities (iii)	Municipal Share Financed by Municipalities (b) (d) (iv)	Total Municipal Share (c) (v)	**Total Expenditures, All Govts.** (vi)
Agricultural Aid	10,414	16,455	7,732	7,306 (d)	15,038	**41,907**
Direct Relief	25,904	10,866	3,085	3,666 (b)	6,751	**43,521**
Public Works	4,614	9,540	625	1,429 (b)	2,054	**16,208**
Miscellaneous	116	6,766	1,111	—	1,111	**7,993**
Total	**41,048**	**43,627**	**12,553**	**12,401**	**24,954**	**109,629**

(a) Relief Expenditures after deducting repayments made by individuals up to December 31, 1936. With regard to the shares of cost assumed by the various governments, the figures shown are necessarily approximate because in some instances the division of responsibility has not yet been definitely determined. The shares of cost will be further affected by the debt adjustment agreement under which receivables on account of relief expenditures made in the drought area prior to December 31, 1934, are to be written off. The details of the scheme have not yet been worked out.

(b) The figures shown for Direct Relief and Public Works financed by municipalities include only the urban municipalities. During the short time at our disposal we have not been able to obtain information as to the amount financed by the rural municipalities. The amount however was comparatively small.

(c) This column is the sum of columns (iii) and (iv). See footnotes (b) and (d). The figures shown under Total Municipal Share do not represent the total municipal costs of relief. The Province did not contribute toward certain municipal expenditures on hospitalization, medical aid and relief administration, etc., which might be classed as relief. The figures stated include only the municipal share of the relief expenditures to which the Province contributed.

(d) The figures shown for amount of expenditures on Agricultural Aid financed by municipalities are municipal bank loans guaranteed by the Province. These figures do not include expenditures on Agricultural Aid out of monies raised by municipalities other than by means of guaranteed bank loans which amount was comparatively small. Included in the guaranteed bank loans of $7,306,000 are $2,250,000 (estimated) which were guaranteed by both the Province and the Dominion. In addition to these expenditures, loan companies advanced to farmers approximately $1,480,000 for seed and seeding under guarantees from the Provincial Government.

UNEMPLOYMENT RELIEF FINANCING

September 1, 1929 to December 31, 1936
(*Thousands of dollars*)

DOMINION			
Dominion Share	41,048		
less Receivable by Province from Dominion	1,030		
Total Dominion Share Paid by Dominion		**40,018**	
Loaned by Dominion to Province	54,343		
less Accountable Advances written off (a)	10,462		
		43,881	
Total Dominion Funds			**83,899**
Rural Municipal Bank Loans Guaranteed by the Dominion and the Province			**2,250 (b)**
PROVINCE			
Proceeds of sale of Securities to other than Dominion	12,544		
Bank Overdraft	785		
Total Provincial Funds			**13,329**
Rural Municipal Bank Loans Guaranteed by the Province			**5,056 (b)**
MUNICIPALITIES			
Money raised by Urban Municipalities for Direct Relief	3,666		
Money raised by Urban Municipalities for Public Works	1,429		
Total Urban Municipal Funds			**5,095**
Grand Total			**109,629**

(a) In addition the Dominion has undertaken to make further write-offs up to $17.8mm. in connection with the 1936 debt adjustment scheme.

(b) Partly estimated.

NUMBER OF PERSONS ON DIRECT RELIEF

	Total Number Receiving Direct Relief	Rural			Urban
		Drought Area	Outside Drought Area	Total Rural	
December 1931	235,451			212,675	22,776
December 1932	102,565			74,246	28,319
December 1933	211,672			173,678	37,994
December 1934	225,166	160,870	24,779	185,649	39,517
December 1935	176,401	115,717	25,646	141,363	35,038
December 1936*	241,200	125,400	79,000	204,400	36,800

*Estimate.

That relief on a huge scale has been and is necessary is undoubted, but whether the existing system of relief in Saskatchewan is in the best interests of the country is open to question. A large portion of the total expenditure has been devoted to an effort to keep the drought area in full production, and about $8 millions additional expenditure will be incurred this spring for the same purpose. Seed, feed, tractor fuel, and other necessary operating expenses have been advanced to the majority of farmers in the south. In other words, the province is attempting to supply the prime costs of production for about one-half of its major industry. No other provincial government is following such a policy on anything like this scale, and the effort is, of course, far beyond the financial resources of the Saskatchewan government. In addition, it has thrown a serious strain on the provincial and municipal administrative services, with the inevitable results attending inadequate organization. It may be said that in this case the province is in a dilemma, for although it cannot finance the agricultural industry, neither can it afford to miss the chance of one good crop through failure to seed. Undoubtedly a good crop would repay the seeding advances many times over. The problem, however, is more than one of immediate finance. Several basic criticisms can be made of the present agricultural policy, as compared with one which would give the farmer only direct relief, or a limited maximum of supplies for subsistence farming. The amount of government aid given varies with the size of the farm, thus making it possible for one man to profit much more substantially than another. Apart from such discrimination, the policy tends to penalize the farmer who invests his own money, while his neighbour uses government funds. Such a system must tend both to remove the incentive for thrift and the motive for accumulating reserves, and to break down individual honesty. If the principle became established that the government would assume the

responsibility for providing the expenses of operation for those who cannot do it themselves (a distinctly different principle from that of providing a minimum subsistence when necessary) the financial burden on the government, the potentialities of abuse, and the economic retrogression of supporting sub-marginal producers, would all become extremely serious considerations. The same criticism holds true of the blanket debt adjustments now being made, regardless of individual capacity to pay, and of whether it is desirable to keep the more hopeless cases in operation on sub-marginal lands.

Another controversial issue at present is whether large sections of the drought area should be abandoned or reclaimed. The main body of opinion appears to support a policy of reclamation, except for the worst areas, if for no other reason than because there is little desirable land left for those who would be dispossessed. At the same time, in view of the fact that over-production of wheat remains a possible danger to world markets, it must be remembered that the wealth and productive capacity of the southern prairies, under even the most favourable conditions, do not justify a large investment and overhead per acre; and it appears that it is only in a few favoured areas that any substantial improvement can be expected at a small investment per acre. More, perhaps, can be expected from further improvement in dry-farming methods. But whichever solution, or whatever compromise is decided on, it is certain that it will be expensive. And it is equally obvious that the government of Saskatchewan, which cannot finance itself under its present financial constitution, can still less provide for the migration or rehabilitation of one-third of its citizens. In no other section will credit be so necessary in the future, and in no other section is it now so important to maintain confidence in the good faith of borrowers.

SUMMARY AND CONCLUSIONS

1. In the body of the report, we have expressed the view that greater advantage should have been taken of the good years in Saskatchewan to build up surpluses for bad times. This applies particularly to the 1925-28 period, when conditions were extremely favourable and prosperity was widespread in the province. It could be claimed that it was impossible in 1925-28 to visualize the extent of the present depression, still less to provide for it adequately. While we would agree that provision for a disaster of the magnitude experienced in Saskatchewan during 1930-37 could not have been made by the province itself, that does not mean that the province could not have prepared for reverses on a smaller scale, and so rendered its financial position less acute than is the case today. Any agricultural economy, and especially one dependent on one commodity, is inevitably subject to wide fluctuations.

2. During the 1930-32 period, no adequate effort was made to deal with the financial problems of Saskatchewan. A programme of capital expenditures, totalling $30 millions,* superimposed on current deficits aggregating $12 millions, added tremendously to the burden of debt. Taxation remained light, as compared with other western provinces; and there was little retrenchment in ordinary expenditure.

*Excluding the $13 millions Wheat Pool guarantee implemented by the province.

3. Commencing with the fiscal year 1932-33, a determined effort was made to increase revenues and reduce expenditures, and since that time Saskatchewan has continued to practice great economy in all directions. As matters stand today, expenditures cannot, on balance, be further reduced; in fact, some additional outlay is inevitable.

4. In spite of efforts to balance the budget, the deficit on current account, including all items which should properly be charged to ordinary expenditures, has averaged

$3.2 millions a year from 1933 to 1937. Of this $3.2 millions, $1 million represents capitalized interest on relief treasury bills (before making allowance for write-offs by the Dominion of about $28 millions in the principal of relief advances) and the deduction of this and certain other items not classed as ordinary expenditures in the Public Accounts reduces the reported current deficit to an annual average of $1.6 millions, including sinking fund charges of about $220,000.

5. It is difficult to compare Saskatchewan's taxation structure directly with that of other provinces, owing to the peculiar character of Saskatchewan's economy and the lack of any urban concentrations of wealth in the province. The most general tax—the 2 mill land tax—must be looked upon as being to the extent of approximately 50 per cent collected on behalf of the school districts, and that portion should be excluded in making comparisons with other provinces in which the school districts raise equivalent amounts directly. The other tax rates are not materially lower, and are in a few instances higher than in the neighbouring provinces. They fail to produce revenues comparable to those in other provinces, however, because they are not adapted to the local problem—viz., that of securing a fair share of revenue from any moderately prosperous rural sections, where there may be few large net incomes but a fairly well distributed average. In addition, income tax and gasoline tax administration in particular would not appear in the past to have been as efficient as desirable. As a necessarily arbitrary estimate, and allowing for the greater reduction of provincial income in Saskatchewan than in other sections, we believe that the Government would have to raise approximately $2 millions a year more at the current level of provincial income to put Saskatchewan on an equal footing with Manitoba.

6. The acute character of the relief problem is so

generally realized that it is not necessary to refer at any length to the remarks on this subject made in the body of our report. There is no possibility of Saskatchewan's being able to find revenue to cover the province's share of relief expenditures, if these are on anything like the scale of recent years. Admittedly, with reasonably large and well-distributed crops the relief situation would improve more rapidly and to a far greater extent than could be expected in industrial areas; but it is obviously impossible to predict whether and when such a development will take place.

7. Saskatchewan's economy would have been badly affected if it had had no more to contend with than the relatively low level of agricultural prices during the years 1930-35. When to this difficulty there was added an unprecedented series of droughts, extending over wide areas and involving public relief at the present time for one-third of the rural population, the situation took on the aspects of a national disaster. Tribute should be paid to the courageous spirit displayed by the people of Saskatchewan in the face of this crisis, and to the efforts which have been made to reduce costs of production by improved farming methods and the practice of strict economy.

8. Quite apart from the question of relief costs, the position of the province is such that certain fundamental strains and weaknesses are indicated. Although one good year would cause a substantial improvement in the current position, it does not appear that the economy affords an adequate basis to support the costs of the services now demanded from provincial governments under the present distribution of financial powers and responsibilities.

9. For reasons largely beyond its control, Saskatchewan finds itself in a particularly unfortunate situation. Other sections of the country too are facing problems, which may differ in degree from those of Saskatchewan, but are none the less of a difficult character. As in the case of our Report

on Manitoba, we do not see any solution other than that which might be provided by a complete enquiry into the financial powers and responsibilities of all our governing bodies. The Dominion Government's intention to appoint a Royal Commission to conduct an enquiry along these lines has been announced by the Prime Minister in the House of Commons on February 16th. Pending the report of this Commission, it would appear to us that in the case of the Province of Saskatchewan the Dominion Government would be justified in extending temporary financial aid. As indicated in paragraph 5 of this Summary, however, we believe that Saskatchewan itself should also make a contribution towards providing additional funds for current requirements.

For The Bank of Canada,

(Sgd.) G. F. Towers,
Governor.

APPENDIX

SASKATCHEWAN PUBLIC FINANCES

The following statistics have been compiled from the Public Accounts and from information furnished us by the Government Departments
Necessary adjustments have been made to place them on a comparable basis during the period under review.

(Millions of Dollars—Fiscal Years Ending April 30)

	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937 Estimate
ORDINARY REVENUE (Cash Basis)												
Fixed Revenue (a)	3.1	3.4	3.5	3.5	3.6	3.7	4.1	4.8	4.8	4.8	4.8	± 4.6
Tax Revenue	4.2	4.1	3.6	4.9	4.4	4.6	3.5	4.6	4.6	4.6	5.2	± 5.5
Other Ordinary Revenue (b)	6.5	6.5	7.5	8.6	7.4	6.2	4.0	4.4	4.0	4.1	4.9	± 4.9
Total Ordinary Revenue	**13.8**	**14.0**	**14.6**	**17.0**	**15.4**	**14.5**	**11.6**	**13.8**	**13.4**	**13.5**	**14.9**	**± 15.0**
ORDINARY EXPENDITURE (Cash Basis)												
Interest Charged to Ordinary Revenue	2.8	2.9	2.9	2.9	3.3	3.9	5.1	5.7	6.3	6.3	6.6	± 6.5
Interest on Treasury Bills held by Dominion, Capitalized	—	—	—	—	—	—	—	0.4	0.7	1.4	1.2	± 1.4
Exchange and Commission (c)	—	—	—	—	—	—	0.2	0.3	0.1	—	0.1	
Sinking Fund	—	—	—	—	—	—	—	0.2	0.2	0.2	0.3	± 0.3
Total Debt Charges	2.8	2.9	2.9	2.9	3.3	3.9	5.3	6.6	7.3	7.9	8.2	± 8.2
Social Services	1.7	1.9	1.9	2.4	3.1	3.5	3.0	2.6	2.7	2.9	3.0	± 3.2
Education	3.8	3.4	3.8	3.8	4.0	4.5(h)	4.5(h)	2.9	2.5	2.6	3.1	± 3.0
All Other (d)	4.4	4.5	5.0	6.5	7.1	6.4	4.5	3.2	3.3	4.3	3.3	± 4.5
Total Ordinary Expenditure	**12.7**	**12.7**	**13.6**	**15.6**	**17.5**	**18.3**	**17.3**	**15.3**	**15.8**	**17.7**	**17.6**	**± 18.9**
ORDINARY DEFICIT OR SURPLUS (Cash Basis)	1.1	1.3	1.0	1.4	2.1	3.8	5.7	1.5	2.4	4.2	2.7	± 3.9
ORDINARY DEFICIT OR SURPLUS Cash Basis as per Public Accounts	0.1	0.1	0.1	0.1	0.5	3.8	5.8	0.6	1.4	2.7	0.9	± 2.3
Increase or Decrease in Accounts Payable (e)					0.4	0.7	0.7	0.7	0.3	0.2	0.4	
Amortization of Debt Discount	(0.1)	(0.1)	(0.1)	(0.1)	0.1	0.1	0.2	0.2	0.2	0.3	0.3	± 0.3
(1) **Sum of Ordinary Deficit or Surplus, Increase or Decrease in Accounts Payable and Amortization of Debt Discount**					2.6	4.6	5.2	2.4	2.9	4.7	3.4	± 4.2
(2) **Increase or Decrease in Accounts Receivable (e)**					1.0	1.8	1.8	2.2	1.5	1.7	0.5	
(3) **Investments in or Withdrawals from Current Assets (e)**					1.9	1.4	1.5	2.1	1.3	3.7	0.6	
(4) **Net Capital Expenditures or Repayments**	0.3	1.4	2.6	4.2	9.0	14.8	19.2	0.1	0.7	0.2	9.9	
(5) **Relief Deficit (f)**					0.7	1.5	12.5	6.0	6.1	13.6	9.9	± 8.0
(6) Miscellaneous, Debt Discount, etc.						0.3	1.0	0.6	0.1	1.0	1.1	
(7) Increase or Decrease in Sinking Fund Investment Account	0.9	0.6	0.2	0.4	0.9	0.3	0.1	0.4	0.5	0.5	0.5	
INCREASE OR DECREASE IN GROSS LIABS. TO PUBLIC, Sum of (1) to (7)	0.2	0.5	1.2	6.1(c)	12.3	21.1	37.5	9.4	10.2	21.6	14.7	12.2
Increase or Decrease in Sinking Funds	0.9	0.6	0.2	0.7	1.5	0.7	0.4	0.8	1.2	1.0	1.1	+ 1.0
INCREASE OR DECREASE IN DEBT OUTSTANDING	1.1	0.3	1.0	5.4	10.8	20.4	37.1	8.6	9.0	20.6	13.6	- 11.2
TOTAL DEBT OUTSTANDING	55	56	57	62 (c)	73	93	131	140	149	169	183	
Liquid and Full Revenue Bearing Assets (g)	29	29	30	36	37	42	57	60	60	63	62	
NET DEBT	26.	27.	27.	26.	36.	51.	74.	80.	89.	106.	121.	
Of Which: Fixed Assets	31.	32.	33.	36.	42.	51	54.	54	54.	54.	55.	
: Portion of Other Loans and Investments which bore full interest during year	9.	7.	8.	9.	8.	3.	2.	2.	3.	3.	7.	

(a) Dominion subsidy, interest receipts from School Lands Fund, Telephone Department, Power Commission, Saskatchewan Pool Elevators and interest on investment of capital repayments.
(b) Includes [illegible] profits, net revenue from Superannuation Account and repayments on Deferred Charges Account [illegible] in the 1930-37 relief items. [illegible] Ordinary Revenue as stated in the Public Accounts the latter two are excluded and only a portion of the liquor profits [illegible] are included. Interest receipts from the Farm Loans Board [illegible] Ordinary Revenue in Public Accounts include interest for which capital advances were made to the Board by the Province [illegible]. Such capitalized interest is here excluded from Ordinary Revenue. After 1930, when the Natural Resources were returned to the Province, the revenues from Natural Resources were in this compilation netted against the expenditure of the Natural Resources Department.
(c) Including exchange (capitalized) charged to Deferred Charges during 1933-36 amount to $.4 mm
(d) Includes the following items which are not included in Ordinary Expenditures as stated in the Public Accounts: Deferred Charges [illegible] expenditures [illegible] during the period 1930-1937, Superannuation Account deficit, deficit on account of the King's Printer's Advance, and deficit on account of the Highways Warehouse Advance.
(e) Prior to 1929 complete statements of accounts payable and accounts receivable are not given in the Public Accounts. The inclusion of all accounts payable in 1929 resulted in an increase of $1.97 mm in Gross Liabilities to the Public. The inclusion of all accounts receivable in 1929 resulted in an increase of $1.46 mm. in Current Assets.
(f) Includes capitalized relief expenditures, receivables on account of relief and that portion of relief costs charged to Deferred Charges.
(g) Includes Current Assets, School Lands Fund Investment, Loans to Saskatchewan Wheat Pool and Pool Elevators, the Investment in Telephones and the Saskatchewan Power Commission.
(h) Includes special grants to cities for the construction and equipment of vocational schools of $449,[illegible]14.85 and $249,185.21 respectively for the fiscal years 1930-31 and 1931-32

ALBERTA

BANK OF CANADA

Ottawa, April 7th, 1937.

REPORT ON THE FINANCIAL POSITION OF THE PROVINCE OF ALBERTA

In response to an invitation from the Premier of Alberta, we undertook to make an examination of the financial position of the Province of Alberta. It was understood that the study would be similar in character to recent examinations of the financial positions of the provinces of Manitoba and Saskatchewan. These examinations did not imply a detailed investigation of all departmental expenditures and revenues, but constituted a broad, general survey of the provinces' positions and of the factors which were responsible for the present situation.

We have found it necessary to give a brief outline of Alberta's financial history from the time the province was created in 1905, as a background for an appraisal of current problems. The years from 1905 to the present, reviewed in relation to economic conditions in the province, may be divided into several parts with distinctive characteristics.

In the text which follows, statistics are used as sparingly as possible; the salient figures will be found in summarized form following each section; more detailed statistics will be available if desired, in the form of supplementary memoranda. The short time which could be devoted to the examination of Alberta's financial position, and the preparation of this report, have not permitted the meticulous checking of statistical details which would otherwise have been desirable, but we have no hesitation in expressing the opinion that minor inaccuracies in the figures—if any exist—do not distort the picture or affect the general conclusions which we have reached. The figures which follow will, in all cases, relate to fiscal years unless otherwise stated.

Economic Development (1905-30)

Economic development has been greater in Alberta in the last three decades than in any other province. The exploitation of the last virgin frontier in North America was carried out with great rapidity owing to the previous experience of many of the settlers, the productivity of the country, the availability of capital, and the prompt provision of transportation and communication facilities and other aids. Ranching had early been displaced as the dominant industry by the rapid pre-war expansion of homesteading and grain farming, since the Alberta climate and soils proved particularly favourable to large yields. The war stimulated a tremendous increase in both grain and livestock production until the increase was checked by the dry cycle which commenced in 1917 and ran through to 1921. Wheat acreage tripled between 1913 and 1921, and then remained for the next four years at about five million acres. The fall in prices and the relatively poor crops of the early twenties (with the notable exception of the 1923 harvest which averaged 28 bushels to the acre throughout the province) checked expansion in grain farming. It is an important element in the Alberta economy that the ratio of livestock and dairy production to grain production can vary within fairly wide limits, and relatively quickly, in response to market conditions. However, the United States Emergency Tariff of 1921 on cattle proved a serious blow to that industry, and farmers turned to dairy and poultry products, which made moderate progress, largely as a result of improved grading and marketing arrangements.

In addition to the advantage afforded by a certain degree of diversification in the agricultural industry, Alberta has the benefit of natural resources which are richer and more varied than those of the other Prairie Provinces. Foremost are the huge coal reserves. Development of these proceeded rapidly between 1910 and 1920, but in the first half

of the twenties the industry was handicapped by high costs of production, prolonged strikes, and limited markets. In so far as markets are concerned, geographical considerations, of course, constitute a continuing handicap. Oil and natural gas are also of importance, although during the twenties the oil developments failed to fulfil the high hopes held for them. Other natural resources include water power, timber, fisheries, fur and game. The last three, combined with the mountain scenery, are perhaps chiefly valuable as tourist attractions. Finally, the availability of cheap power from water, coal, oil and gas gave a sound foundation for the development of secondary industries engaged in processing agricultural and other local products. In the early twenties, progress in these secondary industries and in the construction industry was disappointing, but the pause proved to be temporary only.

The last half of the twenties saw an expansion of 40 per cent in wheat acreage, and increased yields and prices raised gross income substantially more. The livestock and dairy industries receded, for although prices were higher than in the previous period, productive efforts were diverted by the greater attractions of grain growing. Following a period of stagnation, development of the Peace River area went ahead apace under the stimulus of reduced freight rates. A small sugar beet industry in southern Alberta was successfully established. It was hoped that irrigation, which had been extended rapidly in the middle twenties, would make production on irrigated areas largely independent of variations in rainfall, and would prove an important element in stabilizing agricultural income. Natural gas production expanded rapidly, and coal and petroleum moderately. Lumber production tripled, reflecting the boom which was taking place in the construction industry. Electric power output nearly doubled. The tourist trade became an important provincial industry. Similar evidence of rapid and profitable expansion

can be drawn from the statistics of increased consumption. Only in Saskatchewan was there more economic progress, and Alberta's growth was more diversified and secure than that in the sister province.

Financial History (1905-22)

The policies pursued from the time the province was created (1905) until the year 1922, had a profound effect on the financial position of the Government of Alberta. The roots of many of Alberta's present problems were developed during this period. Only the exceptionally rapid economic progress of the time can account for the fact that extravagant governmental expenditures, direct and indirect, were allowed to proceed on such a scale and to last so long as they did.

Almost immediately after the formation of the province, ambitious telephone and railway policies were launched. Poor judgment, loose administration and over-expansion were to make both utility ventures costly.

Alberta was the first Canadian government to enter the telephone business. Construction began in 1906. It was not limited to long distance lines and urban exchanges which have proved self-supporting, but was immediately extended to rural lines. The original rural rate schedules were calculated to cover the costs of operation and maintenance only, without any allowance for capital charges; in fact, and in spite of any subsequent increases, rural earnings were not even sufficient to provide full maintenance charges for that part of the development. In 1908 the Bell system was purchased, and additional construction was rapidly pushed, until checked in 1915 by the exigencies of the war. By this time some $9 millions had been invested, but for the next three years expenditures were small. In 1919 rates which had been stated to be lower than in Saskatchewan or Manitoba were raised about one-third. After an investigation it was re-

ported that the provision for maintenance and depreciation was entirely inadequate, and further increases of 20 per cent and 25 per cent in exchange and toll rates respectively were recommended. A telephone tax was proposed on all lands adjoining rural party lines, which would be sufficient to service and amortize the capital debt. This measure would have provided more adequate and stable revenues, as it did in fact in Saskatchewan. Failing this, an increase of 100 per cent in rural rates was recommended. No action was taken in spite of the increasing costs of construction and operation, and the high cost of new and refunding loans. An extravagant construction programme was launched to meet the accumulated demand deferred by the war, and in the immediate post-war period of high prices and high interest rates an additional $9 millions was spent, approximately, half in rural lines. Heavy losses were suffered in connection with inventories accumulated at high prices, and the system, burdened with greatly increased fixed charges, entered a period of temporary economic stagnation which was reflected in declining revenues. By 1922, the telephone policy had accounted for some $21 millions of the provincial debt. About $9 millions of that sum might then properly have been written off as a total loss, or classed as a subsidy to rural telephone users and an aid to colonization.

The railway policy promised to be even more disastrous financially. In order to stimulate railway construction and encourage settlement, the government guaranteed numerous railway debenture issues. The first guarantee was that of $7.4 millions Alberta and Great Waterways Railway bonds in 1909. The virtually unanimous support given to the telephone policy and the general principle of railway assistance was conspicuously absent in the case of the Alberta and Great Waterways guarantee, which was bitterly attacked as one which was not calculated to serve the public interest. Within three years of that time, more than $44 millions of

guaranteed securities were authorized to finance the construction of 3,000 miles of line, and of the total authorized, $39.6 millions were actually issued. Guaranteed debentures of the Canadian Northern and the Grand Trunk Pacific Railways accounted for $22.5 millions, and, fortunately for the province, these companies were later absorbed in the Canadian National system. The interest on the remaining $17.1 millions guaranteed bonds of the Alberta and Great Waterways Railway, Edmonton Dunvegan and British Columbia Railway, and Lacombe and North Western Railway had to be met by the province directly or through advances. In addition, large capital advances were made to these companies, and to the Central Canada Railway, to complete construction and to keep them in operation. The cumulative cost to the province of the interest paid by it on the $17 millions guaranteed obligations, and of the capital advances made, reached $15 millions by the end of 1922.

Other factors contributed to the accumulation of a heavy debt burden by the province in the early years of its existence. Highway construction proved expensive, relative to the other Prairie Provinces. The topography of the province required a large investment in grading, levelling and bridges, and in construction across wide, barren areas in order to link together the scattered settled regions. Although the province avoided the farm loan enterprises, which Manitoba and Saskatchewan both found so expensive, owing to difficulty in securing money at rates which made it possible to reloan advantageously, an alternative policy of guaranteeing short term agricultural loans was adopted. The guarantee was a favourite device in Alberta financing, and frequently resulted in concealing the real costs, which it only temporarily deferred. By 1922, $7 millions of guaranteed agricultural loans were outstanding in connection with the Livestock Encouragement Act, the Co-operative Rural Credit Act, and various seed grain and relief Acts. The

province had eventually to implement virtually all of these guarantees, and subsequent repayments scarcely equalled the carrying charges. There were also $4 millions of guaranteed University of Alberta bonds then outstanding, which were subsequently directly assumed by the province.

In 1922, a new irrigation policy had just been inaugurated, and the full extent of the liability incurred was not yet realized. Following the 1917-21 sequence of dry years, a number of irrigation districts were formed in the dry areas which had been opened up by the Dominion in the immediate pre-war years. Upon failure to finance the necessary capital works privately, a limited provincial guarantee was secured, but this also proved unacceptable to investors, and in 1921 a full provincial guarantee was granted to bond issues for approved projects. By far the most important was that given a $5.4 millions bond issue of the Lethbridge Northern Irrigation District in 1921. Other guarantees (which have since had to be met), totalling $1.1 millions, were outstanding at the end of 1922.

Finally, from 1905 to 1922, Alberta almost always failed to raise sufficient revenues to meet its expenditures on current account. For a long time, the theory was maintained that the province should finance itself entirely from Dominion subsidies, the sale of licences, miscellaneous fines and fees, and limited taxation on railways and corporations. It was frequently stated that Alberta citizens, and particularly Alberta farmers, should not be expected to contribute directly to the provincial government. However, mounting social service costs (Alberta had long been a pioneer in the provision of state medical services) and the increase in expenditures caused by the war and higher prices, forced some modification of this theory. In 1918, when the accumulated deficit on revenue account had reached $3½ millions (excluding interest payments under guarantees, which were charged to capital) a general land tax, known as the supple-

mentary revenue tax, and a mine owners' tax on coal tonnage, were imposed. Certain taxes, mostly of more limited application, already existed, the chief being railway, bank, insurance company and other corporation taxes; succession duties; a land tax for educational purposes, which was a substitute for the municipal school levy in areas where school districts had not been organized; an amusements tax which had been imposed in 1916; a "wild lands" tax of 1 per cent of the assessment which was designed to discourage the idle speculative holding of land; and the unusual 5 per cent "unearned increment" tax which, inspired by single tax theories of the day, was levied on the increased value of land at the time of sale. The Alberta Assessment, which became the basis for the general land tax, was relatively low (less than in Manitoba, and 40 per cent of that in Saskatchewan) so even under the new taxation the burden in Alberta was then, and remained throughout most of the twenties, as low as in Saskatchewan, a lightly taxed province whose public debt and fixed charges were very much smaller than those of Alberta.

The new taxation, and highly prosperous economic conditions, produced small revenue surpluses in 1919 and 1920 (disregarding implemented guarantees) but $2 millions deficits occurred in both 1921 and 1922.

By the end of 1922, Alberta had a direct and guaranteed debt (on which it was already paying interest or for which it was later to become liable) which was some 50 per cent larger than in the much older province of Manitoba, and more than twice as large as that of Saskatchewan though Saskatchewan had a 30 per cent larger population. Substantially more than half the Alberta total represented accumulated losses and deficits, or so-called assets which were proving a constant drain.

(millions of dollars)	Alberta 31.xii.22	Saskatchewan 30.iv.23	Manitoba 31.vii.22
Direct liabilities	74	55	73
Guarantees, subsequently implemented	30	2	2
Less cash, securities, sinking funds and school lands funds	9	18	11
TOTAL	95	39	64
Population, 1922 (in thousands)	592	771	616

A particularly vulnerable feature of the Alberta debt should be mentioned. In 1917, Alberta initiated the policy of selling savings certificates which were payable on demand. Originally sold to yield 5 per cent compound interest, and altered in 1921 to 5 per cent simple interest, and with administration costs of less than one-fifth of 1 per cent, they provided funds at a somewhat lower rate than was then available in the bond market, a comparison of rates which took no account of the fact that the certificates constituted demand liabilities. No reserve was set up to meet any sudden demand for redemption. As the sales were vigorously pushed, and the total outstanding steadily grew (to $4½ millions in 1922), a constant threat to the cash position and solvency of the province existed.

A further weakness lay in the inadequate sinking fund provision of one-half of 1 per cent. In 1922, the total sinking fund did not even equal the accumulated bond discount account, for the amortization of which no provision was being made.

The sharp depression of 1921-22, and the following few years in which the Alberta economy marked time, brought to an end this first phase of the province's financial history.

To summarize, we find that the policies pursued in the ambitious and extravagant 1905-22 period resulted in the accumulation of a heavy dead weight debt, and that no adequate effort was made to put the government and various government enterprises on a self-supporting basis, in spite of the favourable opportunity presented by the general prosperity. Alberta consequently entered the following period under a handicap which was certain to create problems for the future, unless a determined effort was made to reduce debt.

FISCAL YEARS 1922-1930

(Approximate calendar years 1922-1929, since in 1928 Alberta changed from a fiscal year ending December 31 to one ending March 31)

Following the sharp depression of 1921, the Alberta economy experienced several years of indifferent progress, with actual recession occurring in some fields. This was a new experience for the province. The government met the situation by reducing the somewhat inflated general expenditures, and by curtailing capital expansion. For three consecutive years, expenditures, with the exception of public debt charges, were reduced on every service. The total reduction in controllable ordinary expenditures between 1921 and 1925 was $1 million, but the previous commitments in connection with the telephone system, the railway guarantees, the University guarantees, the irrigation districts, and the 1919-21 seed loan and other agricultural loan guarantees, added nearly $2 millions to the annual fixed charges in the same period.

The former policy of financing by guarantees was discontinued entirely in the case of relief, seed, and livestock loans, on which heavy losses had been suffered, and in connection with which there had been many abuses. Small additional guarantees were made for irrigation districts and rural co-operative credit societies. The guaranteed University bonds were refunded with direct provincial obligations which could be sold on more favourable terms.

A further step in putting the provincial finances on a sounder basis was a complete revision of the accounting and auditing systems, which had formerly been grossly inefficient, and which were replaced by a system which has since stood, in many respects, as a model in Canadian public finance.

An effort was also made in 1922 to increase revenues by raising amusement, corporation and mine owners' taxes, and by imposing a gasoline tax of 2 cents a gallon. An income tax was then considered also, but no action was taken.

The combined efforts to increase revenues and reduce expenditures were insufficient to balance the budget until the sharp upward trend of economic progress was resumed in 1925. Following the improvement in general conditions, and the resulting buoyancy of revenues, there was some premature relaxation in the policy of retrenchment, particularly in connection with public health and highway expenditures. In addition, a reassessment of land values was made which lowered the total provincial assessment, and consequently the supplementary revenue tax based on it, by about 27 per cent. There was also a reduction in the amusements tax, but on the other hand the gasoline tax was raised from 2 to 3 cents in 1927, to help finance the increasing highway expenditures.

The years 1925 to 1929 were exceptionally prosperous, but the tax system was extremely limited in scope, and the level was said in Alberta budget speeches to be lower than in

any province west of Quebec. It failed to produce any material surpluses for debt retirement. The only exception was in the fiscal year 1928-29, when revenues were underestimated by $2 millions, thus yielding a $1½ millions surplus before allowance for interest on guarantees and debt discount which the province capitalized. (In only one year during the 1922-30 period did Alberta have a real surplus on current account, when allowance is made for the items which were capitalized and should have been charged to ordinary revenue.) The sudden revenue increase in 1928-29 was due to unexpectedly large receipts from gasoline taxation, automobile licences, and liquor profits. It was these sources, in fact, which accounted for virtually all of the expansion in provincial revenues during the twenties, and in the years 1925 to 1929, when both gross and net values of agricultural production were two, and on occasion three, times their values in 1921 and 1922, total provincial land taxation was actually less than in 1921-22. Total provincial taxation of all kinds, excluding the gasoline tax, was less per capita in 1929 than in 1921. The province could scarcely have expected a more favourable opportunity than that presented in the years 1925-29 to recoup itself from the rural areas for some of the large expenditures made on them. The opportunity was allowed to pass, and no reduction in the dead weight debt took place.

The provincial finances received substantial aid from another source, however. Railway debenture guarantees of $17 millions, on which the province was paying the interest, were still outstanding, and in addition large sums had to be advanced annually to meet operating deficits or finance additional construction. In 1928, the Lacombe and Northwestern Railway was sold to the Canadian Pacific Railway for $1½ millions in cash and assumption of the $270,000 guaranteed obligation. In 1929, advantage was taken of the

competition between the Canadian Pacific Railway and the Canadian National Railway systems to sell to them jointly all the remaining railway properties of the government. A total of $15,580,000 was to be paid in cash in three instalments in 1929, 1933 and 1939. In addition, the purchasers assumed $9,420,000 of provincially guaranteed railway securities. The province was left with $7,400,000 guaranteed securities, which it assumed directly, and a cumulative liability on account of interest and capital advances of $17 millions, after crediting the amount accruing from the sale. Thus a venture which had cost the province in cash advances and carrying charges an average of $3 millions a year during the twenties, was converted to a residual liability of $24½ millions, costing approximately $1¼ millions a year to carry.

The province was not so successful in cutting its losses on its other major guarantee, the Lethbridge Northern Irrigation District. From the first, the settlers proved unable to meet the carrying charges. Many of the settlers proved unsuitable, and the fixed charges per acre were far too high in relation to the type of farming attempted. In an effort to salvage its guarantee, the province, after having a survey conducted by an expert, was drawn into active operation of the district to an increasing extent. By 1930, the guarantees (on which the province had to pay the full amount of the interest) and advances (including interest advanced to the district) totalled $8 millions. The district was still far from able to contribute anything to its capital charges, and a commission investigation was made in that year.

To summarize the position at the end of the 1929-30 fiscal year, on the brink of the depression, the province had succeeded through the remarkably advantageous sale of its railways in bringing its net debt down to the figures of 1922. But as we have previously noted, the 1922 position was a most unsatisfactory one, and the opportunity had not been

taken in the years of prosperity to retire any portion of the net debt. It is true that the mere maintenance of its position, judged by standards then prevailing, was a creditable feat, but the 1922 position had been so unfavourable in itself and so seriously out of line with that in other provinces that there is little excuse for the failure to take more determined steps to correct it.

The following table summarizes the salient financial statistics of the period:

TABLE A
ALBERTA PUBLIC FINANCES*
(1922, 1925-30)

(Millions of Dollars)	During Fiscal Years Ending: 31st December			31st March		
	1922	1925	1926	1928 (15Mths.)	1929	1930
ORDINARY REVENUE (Cash Basis)						
Fixed Revenue (a)	3.3	3.7	3.9	5.9	4.0	4.2
Tax Revenue	3.2	4.2	3.9	4.6	4.7	5.6
Other Ordinary Revenue (b)	3.8	4.7	5.1	7.9	7.8	7.0
Total Ordinary Revenue	10.3	12.6	12.9	18.4	16.5	16.8
ORDINARY EXPENDITURE (Acc'ting Basis)						
Interest (c)	4.5	5.9	6.1	8.5	6.5	6.0
Exchange on Interest and Debt Management	.1	–	.1	.1	.1	.1
Amortization of Debt Discount (d)	.1	.1	.1	.2	.1	.1
Education	2.4	2.2	2.2	2.9	2.6	2.6
Social Services (excluding Education)	1.1	1.4	1.6	2.2	2.0	2.7
Other Ordinary Expenditure (e)	4.6	3.8	3.9	4.9	4.1	4.9
Total Ordinary Expenditure (excl.Skg.Fd.)	12.8	13.4	14.0	18.8	15.4	16.4
Increase or Decrease in Net Income Assets	–	.4	.4	–	.8	.6
(1) ORDINARY SURPLUS OR DEFICIT (before S.F.)	2.5	.4	1.5	.4	.3	1.0
(2) SINKING FUND CONTRIBUTIONS (h)	.2	.3	.4	.6	.5	.6
(3) INVESTMENTS IN OR WITHDRAWALS FROM CURRENT ASSETS	.1	.5	2.1	.8	.8	1.3
CAPITAL AND SPECIAL EXPENDITURE OR RECEIPTS (i)						
Special Investment Fund	.2	.1	1.6	2.2	1.7	1.8
Fully Self-Supporting Loans and Utility Investments (k)	.4	–	.2	.2	.7	11.9
Fixed Assets (Highways and Other Public Works)	3.2	2.0	2.3	2.5	3.6	4.7
Other Loans and Investments (Agric. etc.)	.9	.3	.6	.3	.3	.5
Capital Losses (Net Discount, Exchange, etc.)	3.2	.6	3.3	1.7	.7	26.1
Unemployment and Agricultural Relief	–	–	–	–	–	–
(4) Total Capital and Special Expenditures or Receipts	7.5	2.4	6.8	6.3	5.0	8.2
INCREASE OR DECREASE IN GROSS DEBT i.e. sum of (1) to (4)	10.3	3.6	6.6	8.1	4.4	7.3
Increase or Decrease in Sinking and Special Investment Funds	–	.4	2.1	3.1	2.2	2.6
INCREASE OR DECREASE IN TOTAL DEBT OUTSTANDING	10.3	3.2	4.5	5.0	2.2	9.9

	As at End of Fiscal Year					
TOTAL DEBT OUTSTANDING (t)	102	115	120	125	127	117
Active Assets (x)	27	29	27	29	29	43
TOTAL NET DEBT	75	86	93	96	98	74
Of Which: Fixed Assets (z)	27	31	33	36	39	44
: Portion of Other Loans and Investments which bore full interest during the year	3	4	4	4	4	3

*For notes see table in Appendix.

FISCAL YEARS 1931-1937

(Approximate calendar years 1930-1936)

Economic Development.

The depression hit Alberta severely. During the three worst years, 1931-32-33, the gross value of all production, according to the Dominion Bureau of Statistics, was 45 per cent below that of 1929, and the net value 35 per cent lower.

The deflation was not as acute in Alberta as in the other prairie provinces. In Manitoba, gross production fell 48 per cent and net 44 per cent, and in Saskatchewan the declines were 61 per cent and 58 per cent respectively, from 1929 to the 1931-32-33 average. Still more striking is a comparison with the 1921-22 period. While 1931-32-33 production in Alberta was retained at the 1921-22 level, in Manitoba it reached only three-quarters and in Saskatchewan one-half of the comparable figures.

The more limited incidence of the drought enabled Alberta agriculture to make a comparatively better showing, and the greater diversity of natural resources proved highly advantageous. Alberta wheat production, which averaged less than half that in Saskatchewan throughout the twenties, rose to four-fifths of the Saskatchewan total in the thirties, and in 1931 actually exceeded it. In 1931 the value of Alberta field crops exceeded the total in Manitoba and Saskatchewan combined; in 1920, it had been only 40 per cent of it. The improved relative position of Alberta was in part due to the more steeply rising secular trend, which became more evident as time went on. The value of field crops in Alberta remained about or above the boom 1915 figure throughout the depression, whereas Saskatchewan sank to one-third its 1915 level, and Manitoba to between one-third and one-half.

In the south eastern corner of the province, the full intensity of the drought which ravaged Saskatchewan was experienced, and in 1936 the dried-out area was greatly extended and included virtually all the southern wheat lands. Even more serious than the effect of the drought on the wheat crop was the loss of feed. The ranches had become overstocked as a result of unfavourable market conditions, and the shortage of feed caused heavy expenditures and serious losses. In the northern agricultural areas, and in the Peace River Valley, crops were consistently good (although an early frost in 1935 ruined the harvest) and it is due to these northern areas that the average Alberta yield per acre was six bushels higher than in Saskatchewan throughout the thirties.

A few special crops, of which the most notable was sugar beets, increased in both volume and value. The irrigated lands on which the sugar beets were grown also proved suitable for the production of vegetables, and they provided the basis for small but expanding sugar refining and canning industries.

Low grain prices now diverted farming to the production of dairy products, and although prices of such products were also far from favourable, the volume of production increased steadily. Hog production in the north increased, partly under the stimulus of the Ottawa Agreements, and Alberta marketings rose from one-quarter to one-third of the total for the Dominion as a whole. The cattle ranchers in the south, however, were hard hit by the continued low prices until the United States entered the market in 1935 and 1936. Unfortunately, the improvement in price was accompanied by distinctly higher feed costs due to drought conditions.

Mining, manufacturing and construction industries suffered in common with those in the rest of Canada, but a few bright spots appeared. Natural gas production expanded,

and in 1936 progress was made in the development of promising crude oil resources. The salt deposits in the north, and the McMurray tar sands, also developed encouraging possibilities. The most advantageous development of Alberta's varied resources will require, of course, a substantial capital investment. Radium, gold and silver discoveries in the North West Territories, and the prospecting, developmental and transport activities on the Mackenzie, were of direct advantage to the province since that area, although outside the province, was tributary to it. There was a major shift in the distribution of provincial income from the south to the north which took place during the depression.

It is true that many of these developments were, and still are, of relatively small production value, but the expenditures in connection with their development, and the fact that even during the worst of the depression there were some small industries which were expanding, were important factors in the provincial economy. Without minimizing the severity of the decline in Alberta, the province was less adversely affected than the other Prairie Provinces.

FISCAL YEARS 1931-1936

(Approximate calendar years 1930-1935)

Finances.

Alberta entered the depression with the largest outstanding debt of any province except Ontario, and had the highest fixed charges in relation to its revenues in Canada. The causes of this, as we have outlined, were the extravagant expenditures of the 1905-22 period, followed by the failure to reduce debt during the subsequent prosperous years. (Only the fortunate sale of the railways in 1929 avoided fixed charges and necessary expenditures of approximately one-third more.) The high proportion of fixed charges, of course, made Alberta's total expenditures less susceptible of control than the expenditures of other provinces.

Revenues dropped $4 millions, or 25 per cent, between 1929-30 and 1931-32, the chief factors being declines of $½ million in land tax collections, $½ million in succession duties, $¼ million in the gasoline tax, $½ million in automobile licences, $½ million in telephone earnings, and $1 million in liquor profits. During this period, there were no increases in taxation; on the contrary, automobile licence fees were reduced for the fiscal year 1932.

During the same period, ordinary expenditures rose $2¼ millions, interest and exchange accounting for $1¾ millions of the increase. Old age pensions and highway maintenance accounted for the balance. No marked retrenchment took place in any general expenditures, although in 1931-32, when revenues were falling alarmingly, a successful effort was made to keep expenditures within the estimates, and a moderate deduction (subsequently doubled) was made from civil service salaries. In that year, however, revenues fell $5 millions short of the estimated receipts, and the situation became critical.

The mounting debt charges were in part due to an extensive capital expansion programme, in part to a large amount of refunding which had to be done under unfavourable market conditions, and in minor part to exchange premiums payable on United States funds. Capital expenditures on highways, and on a smaller scale on other assets, were approximately double the average of the late twenties, and were not curtailed until 1932. In the two first years of the depression, this programme accounted for approximately $12 millions of the increase in provincial debt. An additional debt increase of $5½ millions was caused by the necessity of implementing the guarantee of the bank loan to the Alberta Wheat Pool. (This debt increase was offset by a claim against the Pool for an equal amount and has since proved self-supporting.) In the fiscal years 1931 and 1932 the province sold $30 millions of securities in order to finance its

current deficits and capital programme, and, in addition, had to refund \$31 millions of maturing obligations. Two-thirds of the \$61 millions total was marketed in the second year, and much of it had to be placed at disadvantageous rates, in two cases as high as 6¾ per cent.

Another cash drain on the province during this period arose from the redemption of \$2½ millions of savings certificates. The amount outstanding had grown to \$12 millions at the end of the 1930 fiscal year, in spite of an interest reduction from 4½ per cent to 4 per cent in 1927. In 1925, a special investment fund had been created from surplus capital funds, partly in order to anticipate sinking fund purchases in a rising market, and partly as a reserve against the savings certificates. At the end of the fiscal year 1930 this fund amounted to \$8½ millions, but it was reduced by \$3¼ millions in the next two years in order to redeem savings certificates and for general expenditures. In 1932-33, an important change was made in the savings certificates plan, and term certificates of one, two and three years were introduced. An attempt was made by establishing interest rate differentials favourable to the term certificates to transfer as many as possible from the demand category, and thus reduce the extent of the sudden demand for redemption which might be made at any time.

At the beginning of the 1933 fiscal year, an effort was made to increase revenues and reduce expenditures substantially. Automobile licences and amusements taxes were restored to their previous levels. Corporation taxes were increased, in general by 10 per cent. Succession duties were raised, and the exemptions narrowed, although this particular act was subsequently declared ultra vires. The most important measure was the introduction of an income tax, starting at \$750 (single) and \$1,500 (married) as in Saskatchewan, but with a lower scale of rates.

Ordinary expenditures were reduced, particularly in the Department of Public Works, but part of the advantage was lost as debt charges again increased. Capital expenditures on highways and public buildings were cut sharply from a figure that had certainly been excessive in the previous year to one that was possibly too low in several instances.

At this time an additional strain was thrown on the provincial finances by the losses of the telephone system and the continued deficits of the Lethbridge Northern Irrigation District.

The rural lines had proved a constant drain on the telephone system. During the late twenties, the exchanges and toll lines succeeded in earning enough to carry the rural lines, and the system as a whole paid its operating and capital costs, including depreciation and sinking funds. In the thirties, however, the rural plant had fallen into such a state of physical deterioration, and the number of subscribers fell so startlingly, that the government was forced to examine the whole situation. The Barker Report in 1934 indicated that the investment in the rural lines had been dead weight debt, and that $4½ millions would be required to rehabilitate the system and continue operation. The province chose to cut its losses and has since sold its rural lines at nominal prices to mutual companies consisting of present subscribers, or has scrapped them. The cost of the policy of providing rural Alberta with interest-free telephone service now totals nearly $20 millions, including the compound interest which has had to be supplied by the rest of the telephone system or by the province, and involves an annual carrying charge of nearly $1 million. The balance of the system has operated at a loss in recent years before making any provision for depreciation, but over the last twelve years as a whole it has been fully self-supporting. The reserves it would have had to carry it through the trough of the depression were absorbed, of course, in the deficits of the rural lines.

The Wilson Report on the Lethbridge Northern Irrigation District in 1930 recommended a substantial reduction in the water right charges per acre. Following implementation of this recommendation, an effort was made to introduce more suitable farming methods and to concentrate on beet sugar, fodder, and vegetable crops. During the succeeding period it again proved impossible to carry even the reduced charges, and following a moratorium from 1934 to 1936, the Ewing Commission re-examined the situation. Further reductions in the charges, to one-third of the original liability, were decided on. Up to the present time the cost to the province of the district has been approximately $11 millions, offset to some extent by assets estimated at $2 millions.

In 1933-34 the budget-balancing efforts of the previous year were continued, and additional reductions were made in current expenditures on education and in maintenance and capital expenditures on public works. The gasoline tax was raised from 5 to 6 cents (with a 5 cent exemption for farm use). Revenues were increased from the 1931-32 low, and expenditures reduced from the 1931-32 high, reducing the deficit from $5½ millions to $2 millions. Capital expenditures had virtually ceased, but the provincial share of relief expenditures continued to add to the debt.

In the seven fiscal years 1931-37, the net relief expenditures (i. e., gross expenditures less repayments) of all governments in Alberta was $40 millions. The province's share of this expenditure was $18.8 millions, of which it financed $4.3 millions itself and borrowed the balance, $14½ millions, from the Dominion. In addition, the province borrowed $2.7 millions from the Dominion, which was reloaned to municipalities, and added to $4.7 millions supplied by the municipalities from their own resources made a total of municipal relief expenditures of $7.4 millions. The balance of the cost of relief, $13.8 millions, was borne by the

Dominion directly, so that the Dominion has supplied, either directly or by loan, $31 millions of the $40 millions required.

Of the $40 millions total expenditure, some $22 millions was on direct relief (approximately $4 millions of this being in rural areas, and the balance in towns and cities), $12 millions on relief works, and nearly $6 millions on agricultural relief.

The annual total relief expenditures (less repayments) reached a peak of $6.7 millions in 1931-32, declined nearly $2 millions in the next two years, and have since increased to a new peak of $7.5 millions in the fiscal year just ended. The proportion actually paid by the province from year to year is more difficult to summarize, owing to large reimbursements made by the Dominion to the province in 1935-36 which were applicable to prior years. At the end of the year 1935-36, the amount actually paid on relief account during the preceding six years from the province's own resources was $2.4 millions, and the amount which the province had borrowed from the Dominion for its own relief expenditures, and to reloan to municipalities, was $16.2 millions. In the 1936-37 year, the province supplied $1.9 millions itself and borrowed $1 million from the Dominion; municipalities supplied $1.3 millions, and the Dominion $3.3 millions (in addition to its loans), making up the total of $7.5 millions.

Up to the end of 1936-37, total relief expenditures in Alberta have been less than in the other prairie provinces ($40 millions in Alberta, $110 millions in Saskatchewan, $53 millions in Manitoba), yet the proportion supplied in cash from their own resources by provincial and municipal governments together has been no greater than in the other two provinces. All three have contributed between one-fourth and one-fifth.

The Dominion grant-in-aid is in effect transferred to the cities for direct relief. The city scales of relief, and their total expenditure, appear to be relatively higher than in other prairie centres. A growth in the number of "transients" has been a factor in the steady increase in the cost of relief in the cities at a time when general conditions are definitely improving in many sections of the province.

Agricultural relief has been on a much smaller scale than in Saskatchewan, owing to the restricted area of severe drought. It has been the policy to provide funds to cover the total cost of farm operation when farmers were unable to finance themselves. While the financial burden of this policy has not been as great as in Saskatchewan, it is open to the same criticism as a frequently discriminatory and retrograde measure. There is a fundamental difference between a government's responsibility to provide a minimum subsistence when necessary, and to provide the prime costs for the normal operation of business. The Dominion is now providing the full costs of relief in the Alberta dried-out areas as in Saskatchewan, and has assisted in the transfer of families from the worst of the drought area to new locations in the north.

Increased taxation and improved conditions increased revenues $3 millions from the low point in 1931-32 to 1935-36. During the same period debt charges rose $1 million, and all other current expenditures, except relief, were reduced $2 millions. The current deficit was brought down from $5½ millions to $1¾ millions. Capital expenditures had been reduced to between $1 and $2 millions annually, but the province's share of relief costs had risen steadily to nearly $5 millions in 1935-36.

Public borrowing virtually ceased after a sterling issue in 1932 which involved a serious exchange loss. The cash requirements from 1931-32 to 1935-36 were met by borrow-

ing \$15 millions from the Dominion for relief, by the \$5 millions railway sale installment in 1933, by a bank loan and overdraft of nearly \$6 millions secured by the 1939 railway sale installment, by the sale of \$3¾ millions of securities from the special investment fund, and in 1934-35 by an increase of \$1½ millions in savings certificates sold (offset the next year by the redemption of an equal amount).

By the summer of 1935 Alberta had largely exhausted its liquid and realizable assets in order to meet its chronic cash deficiencies, and when a run on the savings certificates took place in August, 1935, the necessary funds were not available.

Much of the damage had been done by the failure to make the necessary adjustments in the 1931 and 1932 fiscal years. When retrenchment was commenced in 1932-33, it was severe (although certainly no more so than in Saskatchewan and Manitoba), and the efforts to increase revenues were, if not as great as in Manitoba, on a par with those in Saskatchewan. However, it should also be noted that the depression struck Alberta somewhat less severely than Manitoba, and much less forcibly than Saskatchewan.

FISCAL YEAR 1936-1937
AND ESTIMATES 1937-1938

The situation which developed in 1935 made it impossible for Alberta to borrow in the public market. As a result, it became necessary to provide for all current and capital expenditures from the province's own resources. The Dominion was empowered in case of need to advance all actual requirements for relief purposes.

The budget brought down in March, 1936, undertook to meet this problem in some measure by raising taxation. Expenditures were estimated at \$18.6 millions on current

account (including $1.5 millions for direct relief and $200,000 for bridge replacements as ordinary expenditures for the first time), and a net amount of $2.6 millions on capital account (including $900,000 for agricultural relief).

To provide the necessary $21.2 millions (of which nearly $1 million was sinking funds appropriation and $2.4 millions relief) a 2 per cent sales tax was imposed, the income tax rates were raised, and the supplementary revenue (land) tax was renamed the social revenue tax and the rate increased from 2 to 3 mills. It was proposed to spend all the increased receipts from the social service tax on care for tubercular patients and on an additional contribution to Mothers' Allowances, thus relieving the municipalities to some extent. The automobile licence year was altered with the expected result of a reduction in revenue of $600,000 in 1936-37, but it was intended to offset about half this amount by broadening the definition of taxable gasoline, and by other minor changes. The Wild Lands Tax, which had become of negligible importance, was repealed.

In spite of an anticipated $3¼ millions increase in revenues from the new taxation, an overall deficit of $2.5 millions was forecast. It was decided as a matter of policy that the debt should not be increased, and that advantage should not be taken of the opportunity to borrow from the Dominion for relief requirements. It was proposed to meet the estimated deficit by an arbitrary reduction in the contractual interest rate on outstanding bonded indebtedness. On May 31, 1936, interest rates on all Alberta funded debt and savings certificates, with the exception of the Alberta Great Waterways Railway bonds, were cut 50 per cent (provided the reduction did not bring them below 2 per cent). A saving of $2.9 millions, less $200,000 reduced earnings on Alberta bonds held in the provincial sinking and special investment funds, in 1936-37, and one of $3.4 millions ($3.2 millions net) in 1937-38, is anticipated.

We have noted that redemption of savings certificates was suspended in August, 1935. On April 1, 1936, $3.2 millions maturing 6 per cent bonds, and on November 1, 1936, $1¼ millions 6 per cent bonds could not be met, and they remained outstanding on a half interest basis.

The final results of operations in the fiscal year 1936-37 are not yet available, but the following estimates are based on the latest information furnished us by the Alberta Government. Revenues fell below expectations, owing largely to the fact that the sales tax brought in only half of the $2 millions estimated. This was in part due to a continuous increase in the number of exemptions throughout the year. The anticipated increase of $250,000 in the Dominion subsidy did not materialize, since the Alberta population failed to cross the qualifying line of 800,000. There was also some expansion in expenditures, particularly on highway maintenance and construction. Nevertheless, a surplus on current account of $2.4 millions was realized after provision for payment of half interest on provincial debt, subsequent to May 31, 1936.

To this surplus of	$2.4	millions	
was added			
from the sale of investments	.9	"	
from the superannuation and sinking funds	.6	"	
from cash balances	1.7	"	
making available a total of	5.6	"	
From these available funds			
accrued interest liabilities of	.8	"	were paid off and
capital expenditures of	1.3	"	provided for
leaving	3.5	"	

Relief costs totalled	2.9	millions and	
bonds and savings certificates of	1.6	"	were redeemed,
leaving a deficiency of	1.0	"	which was borrowed from the Dominion.

It is interesting to note that had the total relief requirements been borrowed from the Dominion, as in Manitoba and Saskatchewan, and had no debt retirements been made, $3.5 millions would have been available to pay the $2.9 millions (or $2.7 millions net) interest on which default took place. Put in another way, the reduction in interest payments by the province resulted in less borrowing from the Dominion to finance relief, and permitted some reduction in outstanding debt, but was not necessary to meet the total current and capital expenditures including payment of interest at the full rate.

The estimates for 1937-38 are based on the expectation of a substantial increase in bank, railway, insurance and other corporation taxes, a reduction in the numerous sales tax exemptions, and higher profits from liquor sales. Increased expenditures are anticipated in virtually every department, but particularly on highways ($600,000 more on revenue and capital accounts combined than in 1935-36), and on public health services. There is unquestionably pressing need for some expansion in expenditures for the care of the insane and seriously ill. Education shows a moderate increase, but as we have noted in the cases of Manitoba and Saskatchewan also, education in general and the rural school teacher in particular have been forced to bear a disproportionate share of governmental economies during the depression.

The 1937-38 estimates anticipate a surplus on current account of	$3.9	millions
and from the sale of investments and borrowings from the superannuation fund	.4	"
making available a total of	4.3	"
Of these available funds capital expenditures are estimated to require	1.7	"
leaving	2.6	"
Relief costs are estimated at	2.6	"
In addition it is intended to redeem savings certificates to the amount of	1.2	"

which is the overall deficit to be financed.

The interest reduction in 1937-38 from the contract rates will be $3.4 millions (or, after allowing for the effect on sinking fund earnings, $3.2 millions net). If Alberta followed the practice of Manitoba and Saskatchewan and borrowed its estimated full relief costs of $2.6 millions from the Dominion, and at the same time undertook to pay its contractual interest, there would on the estimates be a deficit of $600,000 in the 1937-38 fiscal year.

During this year Alberta taxation will be on approximately the same level as that in Manitoba and in Saskatchewan. It would appear that Alberta expenditures, other than debt charges, will be somewhat higher (although not to any marked extent) than comparable expenditures in Saskatchewan and Manitoba.

While differences in degree exist between the financial position of the three prairie provinces, they are not of fundamental importance. If Alberta were now paying full bond

interest, its financial position would be somewhat worse than that of Manitoba, and somewhat better than that of Saskatchewan.

The following tables summarize the financial statistics of 1931-38 and the relief statistics of the depression years. As an appendix to the report, we attach a summary of Alberta public finances for the year 1922 and the years 1925-38 inclusive.

TABLE B
ALBERTA PUBLIC FINANCES*
(1931-38)

(Millions of Dollars)	1931	1932	1933	1934	1935	1936	1937 Estimated	1938 Estimated
	Fiscal Years Ending 31st March							
ORDINARY REVENUE (Cash Basis)								
Fixed Revenue (a)	4.8	4.5	4.8	5.0	4.6	4.6	3.7±	3.3±
Tax Revenue	4.9	4.0	5.1	4.8	5.1	5.5	7.6±	8.7±
Other Ordinary Revenue (b)	6.1	4.2	4.8	4.9	5.3	5.6	6.3±	7.2±
Total Ordinary Revenue	15.8	12.7	14.7	14.7	15.0	15.7	17.6±	19.2±
ORDINARY EXPENDITURE (Accounting Basis)								
Interest (c)	6.7	7.3	7.8	8.0	8.2	8.4	5.4±	4.9±
Exchange on Interest and Debt Management	.1	.4	.4	.2	.1	.1	.1±	.1±
Amortization of Debt Discount (d)	.1	.2	.2	.2	.2	.2	.2±	.2±
Education	3.0	2.6	2.5	2.6	2.3	2.5	2.5±	2.5±
Social Services (excluding Education)	2.7	2.9	2.4	2.4	2.5	2.6	2.9±	3.0±
Other Ordinary Expenditure (e)	5.4	5.2	4.1	3.7	3.7	3.8	4.1±	4.6±
Total Ordinary Expenditure (excluding Sinking Fund)	18.0	18.6	17.4	17.0	17.0	17.6	15.2±	15.3±
Increase or Decrease in Net Income Assets	.8	.3	.1	.4	.7	.2	–±	–±
(1) **ORDINARY SURPLUS OR DEFICIT** (before Sinking Fund)	1.4	5.6	2.6	1.9	2.7	1.7	2.4±	3.9±
(2) **SINKING FUND CONTRIBUTIONS** (b)	.8	.8	.8	.8	.8	.8	–	–
(3) **INVESTMENTS IN OR WITHDRAWALS FROM CURRENT ASSETS**	–	1.7	2.2	.1	–	.8	1.7±	–±
CAPITAL AND SPECIAL EXPENDITURE OR RECEIPTS (i)								
Special Investment Fund	1.4	1.8	1.3	.9	.7	.8	.7±	.3±
Fully Self-Supporting Loans & Utility Investments (k)	.6	5.9	.3	5.3	.4	.2	.2±	–±
Fixed Assets (Highways and Other Public Works)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other Loans and Investments (Agricultural, etc.)	–	.1	.3	.4	.1	.2	–±	–±
Capital Losses (Net Discount, Exchange, etc.)	.7	1.0	2.8	.4	.8	.3	–±	.2±
Unemployment and Agricultural Relief	1.3	2.6	3.0	2.9	4.0	4.8	2.9±	2.6±
(4) **Total Capital and Special Expenditure or Receipts**	7.3	11.3	5.2	2.1	4.6	5.2	3.2±	4.0±
INCREASE OR DECREASE IN GROSS DEBT i.e. sum of (1) to (4)	9.5	19.4	6.4	.7	8.1	8.5	.9±	1±
Increase or Decrease in Sinking & Special Investment Funds	.5	.6	–	.3	.9	.2	.5±	±
INCREASE OR DECREASE IN TOTAL DEBT OUTSTANDING (t)	10.0	20.0	6.4	.4	7.2	8.3	.4±	1±

As at End of Fiscal Years

	1931	1932	1933	1934	1935	1936	1937 Estimated	1938 Estimated
TOTAL DEBT OUTSTANDING (t)	127	147	153	164	161	169	169±	169±
Active Assets (x)	44	51	49	44	43	43	42±	42±
TOTAL NET DEBT	83	96	104	110	118	126	127±	127±
Of Which: Fixed Assets (z)	51	56	56	57	58	61	63±	65±
: Portion of Other Loans and Investments which bore full interest during the year	2	1	1	1	–	1	1±	1±

*For notes see table in Appendix

RELIEF EXPENDITURES IN ALBERTA
April 1, 1930 to March 31, 1937
(Thousands of Dollars)

Fiscal Years Ending March 31	Gross Expenditures	Repayments	Net Expenditures All Governments	Dominion	Province				Municipalities		
				Dominion Share	Net Borrowings from Dominion	Paid from Prov. Sources	Total Prov. Share + Loans to Municips.	Provincial Share	Borrowed from Province*	Paid from Municipal Sources	Total Municipal Share
	(a)	(b)	(c)	(d)	(e)	(f)	(g) + (h)	(g)	(h)	(i)	(j)
1931	2,639	—	2,639	706	—	1,315	1,315	1,315	—	618	618
1932	6,716	31	6,685	2,823	1,149	1,430	2,579	2,579	—	1,283	1,283
1933	5,231	124	5,107	2,047	1,713	1,271	2,984	2,123	861	76	937
1934	5,012	137	4,875	1,645	2,078	784	2,862	2,262	600	368	968
1935	6,004	289	5,715	1,419	3,895	145	4,040	3,290	750	256	1,006
1936	7,789	358	7,431	1,826	7,337	2,545	4,792	4,342	450	813	1,263
1937(E)	8,480	959	7,521	3,334	1,011	1,891	2,902	2,902	—	1,285	1,285
Total	**41,871**	**1,898**	**39,973**	**13,800**	**17,183**	**4,291**	**21,474**	**18,813**	**2,661**	**4,699**	**7,360**

*Cities.

RELIEF CLASSIFICATION

Relief Expenditures in Alberta, April 1, 1930 to March 31, 1937

(Thousands of Dollars)

	Gross Expenditures	Repayments	Net Expenditures	Dominion Share	Provincial Share	Municipal Share
DIRECT RELIEF						
Cities	14,558	19	14,539	2,539	6,697	5,303
Towns and Villages	641	—	641	102	381	158
Rural	3,883	14	3,869	885	2,677	307
Provincial Transients	783	1	782	65	715	2
Single Men	1,778	9	1,769	678	1,091	—
Hospitalization, Improvement Districts	159	—	159	—	88	71
Dominion Grant in Aid				3,951	3,951	—
Total Direct Relief	**21,802**	**43**	**21,759**	**8,220**	**7,698**	**5,841**
RELIEF WORK	**11,898**	**28**	**11,870**	**4,307**	**6,162**	**1,401**
AGRICULTURAL RELIEF						
Resettlement of Farmers	646	21	625	211	296	118
All Other	6,457	1,803	4,654	1,062	3,592	—
Administration	280	—	280	—	280	—
Total Agricultural Relief	**7,383**	**1,824**	**5,559**	**1,273**	**4,168**	**118**
UNEMPLOYMENT RELIEF ADMINISTRATION	**788**	**3**	**785**	**—**	**785**	**—**
GRAND TOTAL	**41,871**	**1,898**	**39,973**	**13,800**	**18,813**	**7,360**

SUMMARY AND CONCLUSIONS

1. In appraising the present financial situation of the Province of Alberta, we found that special emphasis must be placed on the events of the years 1905-22. In 1922, after Alberta had been in existence for 17 years, the province's debt (including guarantees, subsequently implemented) was approximately $95 millions. This debt was over twice as large as that of Saskatchewan in the same year, and 50 per cent larger than that of the much older province of Manitoba. Substantially more than half of the Alberta total represented accumulated losses and deficits, and so-called assets which, in fact, were proving a constant drain. After making full allowance for the rapid economic development of the new province, and the legitimate cost of facilities provided by the government to aid and stimulate this development, it remains the case—in our opinion—that the 1905-22 period was characterized by waste, loose administration, and incurrence of debt to an extent which could not be justified even when allowance is made for the optimistic spirit of the times.

2. During the fiscal years 1923-30—on the whole a period of prosperity for all three Prairie Provinces—the Alberta government did not take the opportunity to improve its financial position; in fact, a deterioration would have taken place had it not been for the fact that the province was successful in selling its railways to the Canadian Pacific Railway and the Canadian National Railways in 1928 and 1929. In doing so, the province realized a substantial loss, but was fortunate in getting out of a venture which had cost, on the average, $3 millions per annum in cash advances and carrying charges during the twenties. The province was left with a residual liability of $24½ millions, involving interest charges of approximately $1¼ millions a year. The advantageous sale of the railways enabled the province to regain its 1922 position in respect to net debt. As we have previously noted,

the 1922 position was such a poor one that the necessity for an improvement should have been recognized at that time. The opportunity afforded by the years of prosperity was allowed to pass, and in only one year during this period would Alberta have had a real surplus on current account if allowance is made for the items which were capitalized instead of being charged to ordinary expenditure, where they belonged.

3. During the six fiscal years 1931-36, the net outstanding liabilities of the province increased by some $52 millions. Of this increase, approximately $16 millions was accounted for by deficits on current account, $13 millions by expenditures on fixed assets such as roads, bridges, buildings, irrigation, etc., and $19 millions by relief and relief works (including relief expenditures capitalized as public works). About half of the net increase took place during the first two years of the period, when capital expenditures were being continued on a substantial scale, and no marked retrenchment in ordinary expenditures was taking place. Moreover, debt charges were substantially increased during these two years, partly because of new borrowings to finance the capital expenditures and current deficits, and partly because of the large amount of refunding which had to be done under unfavourable market conditions.

It was not until the 1933 fiscal year that a strong effort was made to increase revenues and reduce expenditures. These efforts were continued in the following years with the result that revenues in 1935-36 were $3 millions above the low point in 1931-32, and ordinary expenditures—except on relief—were $1 million lower, in spite of an increase of $1 million in debt charges. The current deficit was brought down from $5½ millions to $1¾ millions. Capital expenditures were substantially reduced, but the province's share of relief costs was mounting.

Of the 1931-36 period as a whole, it may be said that delay in effecting the adjustments made necessary by the depression was responsible for a substantial increase in debt and debt charges. When measures of retrenchment were applied they were severe, but, even so, it was not possible to balance the budget on current account, much less provide for the province's share of relief costs.

4. The budget for the 1936-37 fiscal year contained provisions for a substantial increase in taxation. The main innovation was the imposition of a 2 per cent sales tax. Income tax rates were raised, and the rate of the supplementary revenue (land) tax—renamed the social service tax—was increased from 2 to 3 mills. In May of 1936 the government decided that after May 31 interest due on Alberta's bonds (with the exception of bonds of the Alberta and Great Waterways Railway) would be paid at one-half the contractual rates, provided the reduction did not involve a rate lower than 2 per cent. The combined effect of reducing interest payments ($2.9 millions) and increasing revenues ($1.9 millions) was approximately $4,800,000. While final figures are not yet available, we estimate that in the 1936-37 year the province covered all its current and capital expenditures, redeemed $1,600,000 of debt, and also provided funds to meet some two-thirds of its share of relief costs. The figures will be found in greater detail in the text of our report.

5. The estimates for 1937-38 visualize a substantial increase in bank, railway, insurance and other corporation taxes, a reduction in numerous sales tax exemptions, and higher profits from liquor sales. Revenues are expected to increase by $3,500,000 as compared with the 1935-36 fiscal year, and the full budgetary effect of lower interest payments will be experienced, the reduction being approximately $3,400,000.

The 1937-38 estimates anticipate a surplus on current account of	$3.9	millions
and from the sale of investments and borrowings from the superannuation fund	.4	"
making available a total of	4.3	"
Of these available funds capital expenditures and capital losses are estimated to require	1.7	"
leaving	2.6	"
Relief costs are estimated at	2.6	"
In addition, it is intended to redeem savings certificates to the amount of	1.2	"

which is the overall deficit to be financed.

Attention should be drawn to the determined effort to increase revenues during the fiscal year which has just ended and that which is now beginning. We are of the opinion that the scale of taxation in Alberta in 1937-38 will be approximately the same as in the other Prairie Provinces, and we are not prepared to say that a further increase in taxation would be practical or desirable under existing conditions. The amount of the increased revenues which is being utilized for additional expenditures on ordinary account may be, estimated at $1.2 millions compared with 1935-36. As in the case of the provinces of Manitoba and Saskatchewan, we are prepared to say that expenditures could not be kept down to the low point of the depression years and that some increases were inevitable. Education and health services have to be maintained, and attention must be paid to the preservation of the road system. The appropriations for the first two mentioned services are still on the low side. On the other hand, it appears to us that the amount provided for

capital expenditures on roads, bridges and equipment in the 1937-38 estimates must be considered rather large, if the exigencies of the present financial situation are borne in mind, and we are inclined to think that the programme is relatively a more extensive one than is being undertaken by either Manitoba or Saskatchewan.

6. In examining the financial position of Alberta, we have endeavoured to give full weight to the earlier factors which were largely responsible for the acute problems confronting the government and the people of the province. A not inconsiderable portion of the public debt represents money wasted in the earlier years of the province's existence. That portion of the debt is to-day a dead weight. But the province must necessarily accept responsibility for its own mistakes.

Another portion of the debt arises from the relief expenditures of recent years, or from the deficits for which crop failures, low agricultural prices and resultant reduced revenues are in part responsible.

7. The fact that the extent of the burden then existing was not realized before the depression set in must be ascribed to the rapid development of the Alberta economy. No province expanded more quickly in terms of volume and value of production or in population than did Alberta between 1905 and 1930. The severity of the decline in value of production subsequent to 1930 involved a heavy strain on provincial finances. While it is the case that Alberta entered the depression in a less favourable financial position than Manitoba and Saskatchewan, it must also be noted that the depression did not affect Alberta quite as severely as it did the other Prairie Provinces. Even so, the situation has been extremely difficult, and there is no doubt that the people of Alberta have their full share of the problems which are present, in varying degree, throughout the Canadian eco-

nomy. The existence of fundamental problems, and the need for a thorough examination of the situation, were recognized by the Prime Minister, the Right Hon. W. L. Mackenzie King, in his announcement of the intention to appoint a Royal Commission of Enquiry.

8. In our reports on the financial positions of the provinces of Manitoba and Saskatchewan, we expressed the opinion that the Dominion Government would be justified in extending temporary financial aid, pending the report of the Commission referred to above.

As regards Alberta, we must note, in the first instance, that the decision of the government to pay only 50 per cent of the interest due on bond issues and savings certificates has had a major effect on the budgetary position and on the amount of the province's cash requirements. Yet we cannot report on the financial position of Alberta without expressing regret that this repudiation of interest liabilities should have taken place. There are legal and moral reasons for the fulfilment of contracts, but, leaving these entirely out of consideration (although we do not minimize their importance) we believe that self-interest alone should have induced Alberta to fulfil its contractual liabilities in respect of interest. Default produces a lack of confidence which is not confined to prospective buyers of government bonds. It has its repercussions on the investment of capital in enterprise, and hampers economic development. In due course the government revenues are bound to be adversely affected by such a situation. If it were thought that Alberta was permanently on the downgrade, that the era of expansion had ended, and that the government would have little or no occasion in future to provide the additional facilities which are needed by a growing and prosperous community, there are some who might claim that the loss of credit standing was of no great importance. We could not subscribe to any such pessimistic view of the future of Alberta. It is, therefore,

our opinion that a situation which involves impairment or destruction of Alberta's credit standing also involves an indirect cost to the province far exceeding the immediate pecuniary advantage gained.

Whatever opinion may be held in regard to the non-payment of interest at contractual rates, the fact remains that this is the policy which has been adopted and is in effect. And our report on the present financial position of the province is necessarily based on the revenues and expenditures now included in the budget.

Recognizing that an examination of Alberta's problems —along with those of other sections of the country—awaits the creation of the Royal Commission, is there need of or justification for temporary financial aid from the Dominion pending the Commission's report? Our recommendations in this respect are based on the following opinions:—

(1) We believe that the scale of taxation in Alberta—as proposed for the fiscal year 1937-38—will approximately equal the scale of taxation in Saskatchewan and Manitoba during the same period.

(2) We believe that the budget appropriations for 1937-38 will enable the Alberta government to operate their departments and provide public services on a scale at least as high as that which will be in effect in the other Prairie Provinces.

(3) The revenues and capital receipts anticipated for 1937-38 will be sufficient to cover all ordinary expenditures, all capital expenditures and the province's share of unemployment relief costs. (The Dominion Government, of course, has contributed and will no doubt continue to contribute substantial amounts to cover its share of unemployment and agricultural relief.) The budget visualizes a cash

deficit of approximately $1,200,000 due to the proposed redemption of provincial savings certificates.

(4) With a scale of taxation no higher, and a scale of expenditure no lower than in Manitoba and Saskatchewan in 1937-38, Alberta expects to balance its budget on all accounts (ordinary capital and relief) with the exception of debt retirement. Our recommendation of Dominion Government assistance in the cases of Manitoba and Saskatchewan was based on urgent needs of those provinces for cash during the time required for the examination which will be conducted by the Royal Commission. If Alberta were now paying full interest on its obligations, the province in 1937-38 would presumably have to borrow its full share of unemployment relief from the Dominion, and on the basis of budgetary estimates (not including debt retirement) would have a cash shortage of about $600,000. Its position would be a little worse than that of Manitoba, but distinctly better than that of Saskatchewan; and a claim for assistance would, no doubt, be considered in the light of these facts. It is the case, however, that Alberta's budgetary position differs materially from that of the other provinces, by reason of the fact that interest payments have been reduced by 50 per cent, or $3,400,000, and, other things being equal, its cash requirements have been reduced by the same amount. We can only deal with the situation as it is—not as it might have been in other circumstances. We find that Alberta can main-

tain its governmental services on as favourable a basis as Manitoba or Saskatchewan without receipt of additional assistance, and we therefore see no basis for recommending that temporary financial aid should be extended by the Dominion Government.

For The Bank of Canada

(Sgd.) G. F. Towers
Governor

APPENDIX
ALBERTA PUBLIC FINANCES

The following statistics have been compiled from the Public Accounts and from information furnished by the Government Departments. Necessary adjustments have been made to place them on a comparable basis during the period under review.

(Millions of Dollars)

During Fiscal Years Ending

	31st December			31st March										
	1922	1925	1926	1928 (15 Mths.)	1929	1930	1931	1932	1933	1934	1935	1936	1937 Est.	1938 Est.
ORDINARY REVENUE (Cash Basis)														
Fixed Revenue (a)	3.3	3.7	3.9	5.9	4.0	4.2	4.8	4.5	4.8	5.0	4.6	4.6	3.7±	3.3
Tax Revenue	3.2	4.2	3.9	4.6	4.7	5.6	4.9	4.0	5.1	4.8	5.1	5.5	7.6±	8.7
Other Ordinary Revenue (b)	3.8	4.7	5.1	7.9	7.8	7.0	6.1	4.2	4.8	4.9	5.3	5.6	6.3±	[illegible]
Total Ordinary Revenue	10.3	12.6	12.9	18.4	16.5	16.8	15.8	12.7	14.7	14.7	15.0	15.7	17.6±	19.2
ORDINARY EXPENDITURE (Accounting Basis)														
Interest (c)	4.6	5.9	6.1	8.5	6.5	6.0	6.7	7.3	7.8	8.0	8.2	8.4	5.4±	[illegible]
Exchange on Interest and Debt Management	1		1	1	.1	.1	.1	.4	.4	.6	.1	.1	.1±	1±
Amortization of Debt Discount (d)	.1	.1	.1	.2	.1	.1	1	.2	.2	.2	.2	.2	.2±	.2±
Education	2.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Social Services (excluding Education)	1.1	1.4	1.6	[illegible]	[illegible]	[illegible]	2.7	[illegible]	2.4	2.4	2.5	2.6	2.9±	[illegible]
Other Ordinary Expenditure (e)	4.6	3.8	3.9	4.9	4.1	4.9	5.4	5.2	4.1	3.7	3.7	3.8	4.1±	4.6±
Total Ordinary Expenditure (excluding Sinking Fund)	12.8	13.4	14.0	18.8	15.4	16.4	18.0	18.6	17.4	17.0	17.0	17.6	15.2±	15.3±
Increase or Decrease in Net Income Assets	—	.4	.4	—	.8	.6	.8	.3	.1	.4	.7	.2	—±	—±
(1) **ORDINARY SURPLUS OR DEFICIT** (before Sinking Fund)	2.5	4	1.5	4	3	1.0	1.4	5.6	2.6	1.9	2.7	1.7	2.4±	3.9
(2) **SINKING FUND CONTRIBUTIONS** (h)	.2	.3	.4	.6	.5	.6	.8	.8	.8	.8	.8	.8	—	—
(3) **INVESTMENTS IN OR WITHDRAWALS FROM CURRENT ASSETS**	1	5	2.1	8	8	1.3		1.7	2.2	1	—	8	1.7±	±
CAPITAL AND SPECIAL EXPENDITURES OR RECEIPTS (i)														
Special Investment Fund	.2	.1	1.6	2.2	1.7	1.8	1.4	1.8	1.3	.9	.7	.8	.7±	3
Fully Self-Supporting Loans and Utility Investments (k)	4		2	-	[illegible]	11.[illegible]		[illegible]	3	5.3	4	2	2±	
Fixed Assets (Highways and Other Public Works)	3.2	2.0	[illegible]	2.5	[illegible]	1.7	1	[illegible]	[illegible]	.4	1.6	1.5	1.2±	1.5±
Other Loans and Investments (Agricultural, etc.)	.9	.3	.6	.3	.3	.5	—	.1	.3	.4	.1	.2	—±	±
Capital Losses (Net Discount, Exchange, etc.)	3.2	.6	3.3	1.7	.7	26.1	.7	1.0	2.8	.4	.8	.3	—±	
Unemployment and Agricultural Relief	—	—	—	—	—	—	1.3	2.6	3.0	2.9	4.0	4.8	2.9+	[illegible]
(4) Total Capital and Special Expenditures or Receipts	7.5	2.4	6.8	6.3	5.0	8.2	7.3	11.3	5.2	2.1	4.6	5.2	3.2	4.0
INCREASE OR DECREASE IN GROSS DEBT (i.e. sum of (1) to (4))	10.3	3.6	6.6	8.1	4.4	7.3	9.5	15.4	6.4	[illegible]	8.1	8.5	.9±	1
Increase or Decrease in Sinking and Special Investment Funds	-	.4	2.1	3.1	2.2	2.6	.5	.6	—	.3	.9	.2	.5±	+
INCREASE OR DECREASE IN TOTAL DEBT OUTSTANDING (l)	10.3	3.2	4.5	5.0	2.2	9.9	10.0	20.0	6.4	4	7.2	8.3	4±	1

As at End of Fiscal Year

	1922	1925	1926	1928 (15 Mths.)	1929	1930	1931	1932	1933	1934	1935	1936	1937 Est.	1938 Est.
TOTAL DEBT OUTSTANDING (l)	102	115	120	125	127	117	12[illegible]	14[illegible]	153	154	161	169	169	169
Active Assets (x)	27	29	27	29	29	43	44	51	49	44	43	43	42 ±	42 ±
TOTAL NET DEBT	75	86	93	96	98	74	83	96	104	110	118	126	127 ±	127 ±
Of Which: Fixed Assets (z)	27	31	33	36	39	44	51	56	56	57	58	61	63 ±	65 ±
: Portion of Other Loans and Investments which bore full interest during the year	3	4	4	4	4	3	2	1	1	1	—	1	1 +	1 ±

(a) Consists of Dominion Subsidy and interest from the Special Investment Fund [illegible] Self-Supporting Loans, Government Telephones and School Lands Fund Investments.
(b) Includes operating surplus of Government Telephones or operating [illegible]. These operating results are after depreciation in the years 1926-32 inclusive. For purposes of comparison [illegible] penditures arising from the return of the Natural Resources in 1930 are not shown in line (e) and are deducted in this line from the corresponding revenue. Civil service salary deductions have here been eliminated from revenue and net salaries only are included in expenditure.
(c) Includes any interest paid on guaranteed railway debentures and interest on [illegible] guaranteed [illegible] Lethbridge Northern Irrigation District.
(d) This item shows the amount which on a proper amortization basis should each year be transferred from Debt Discount Account to Ordinary Deficit Account.
(e) Includes operating expenses of the Lethbridge Northern Irrigation District. See also Note (b).
(h) Includes contributions by the Lethbridge Northern Irrigation District to the sinking fund [illegible] bonds.
(i) Any guarantee of obligations which has later to be implemented or on which interest has to be paid by the province is here treated as a direct provincial expenditure in the year in which the guarantee is given.
(k) Expenditure on rural parts telephone lines [illegible] defined in Note [illegible] above upon railways [illegible] included in Capital Losses below.
(l) Consists of total direct liabilities plus all guaranteed obligations which had later to be met or upon which interest was paid by the province, with all relevant sinking funds [illegible] the Government Telephones advances to which have not been correspondingly written down [illegible] and the Special Investment Fund deducted.
(x) Consists of Current Assets, Fully Self-Supporting Loans, Utility Investments as indicated in Note [illegible] and School Lands Fund Investments for which the province incurred no direct liability.
(z) Includes assets corresponding to certain parts of the province's share of Relief Works expenditure.

SUPPLEMENT

COMPARATIVE SUMMARY OF THE PUBLIC FINANCES OF MANITOBA, SASKATCHEWAN AND ALBERTA

The following table is a consolidation of the three Appendix Tables previously given. Certain minor changes in classification have been made to facilitate comparison but the total figures for debt increase, are unchanged. In the case of Manitoba and Saskatchewan figures for 1922 are adj[illegible]

(Millions of Dollars)

During Fiscal Years (x) Ending in:

	1922 Man 9 (Mths)	1922 Sask	1922 Alta	1926 Man	1926 Sask	1926 Alta	1927 Man	1927 Sask	1927 Alta
ORDINARY REVENUE									
Fixed Revenue*	2.1	3.1	3.3	2.4	3.1	3.7	2.8	3.4	3.9
Tax Revenue	2.7	4.0	3.2	4.3	4.2	4.2	4.6	4.1	3.9
Other Ordinary Revenue*	2.3	5.5	3.8	4.0	6.5	4.7	4.1	6.5	5.1
(1)...... Total Ordinary Revenue	7.1	12.6	10.3	10.7	13.8	12.6	11.5	14.0	12.9
ORDINARY EXPENDITURE									
Interest*	2.9	2.3	4.5	[illegible]	2.8	5.9	[illegible]	[illegible]	[illegible]
Exchange (on Interest) and Debt Management*	–	–	.1	–	–	–	–	–	.1
Amortization of Debt Discount*	–	.1	.1	–	.1	.1	–	.1	.1
Education	1.5	3.0	2.4	2.1	3.8	2.2	2.1	3.4	2.2
Social Services	1.5	1.6	1.1	1.6	1.7	1.4	1.9	1.9	1.6
Other Ordinary Expenditure*	2.5	5.8	4.6	[illegible]	[illegible]	[illegible]	[illegible]	4.5	[illegible]
(2) .... Total Ordinary Expenditure (before Sinking Fund)	8.4	12.8	12.8	10.4	12.8	13.4	10.6	12.8	14.0
(3) .. Net Adjustment for Accruals*	–			5		4	–		4
(4)..ORDINARY DEFICIT OR SURPLUS (before Sinking Fund) i.e. (1)+(2)+(3)	1.3	.2	2.5	.8	1.0	.4	.9	1.2	1.5
(5) SINKING FUND CONTRIBUTIONS	.1	.1	.2	.2	–	3	.2		4
(6) INVESTMENTS IN OR WITHDRAWALS FROM CURRENT ASSETS*	.7		1	1.8		.5	.6		2.1
CAPITAL AND SPECIAL EXPENDITURES OR RECEIPTS									
Fully Self Supporting Loans and Utility Investments (z)	6		2	9		1	2		1.8
Fixed Assets (Highways and other Public Works)	2.3	2.6	[illegible]	[illegible]	6	[illegible]	1.1	8	2.3
Other Loans and Investments (Agricultural etc.)	2.5		[illegible]	1		3			6
Net of Discount, Exchange, etc. and Capital Losses			3.2	1		[illegible]	–		3.3
Unemployment and Agricultural Relief*									
(7) .TOTAL CAPITAL AND SPECIAL EXPENDITURES OR RECEIPTS	5.4	2.6	7.5	1.7	.6	2.4	1.5	.8	6.8
INCREASE OR DECREASE IN GROSS DEBT i.e. (4)+(5)+(6)+(7)	6.1	3.7	10.3	.7	.2	3.6	1.4	3	6.6
Increase or Decrease in Sinking Fund (z)	.2	5	-	1.4	9	4	1.1	6	2.1
INCREASE OR DECREASE IN TOTAL DEBT OUTSTANDING	5.9	3.2	10.3	2.1	1.1	3.2	.3	.3	4.5

	1928 Man	1928 Sask	1928 Alta 15 (Mths)	1929 Man	1929 Sask	1929 Alta	1930 Man	1930 Sask	1930 Alta	1931 Man	1931 Sask	1931 Alta
ORDINARY REVENUE												
Fixed Revenue*	2.9	3.6	5.9	3.1	3.5	4.0	3.1	3.6	4.2	3.7	3.7	4.8
Tax Revenue	3.9	3.6	4.6	4.4	4.9	4.7	6.2	4.4	5.6	5.2	4.6	4.9
Other Ordinary Revenue*	4.4	7.5	7.9	4.7	8.6	7.8	5.2	7.4	7.0	4.9	6.2	6.1
(1)...... Total Ordinary Revenue	11.2	14.6	18.4	12.2	17.0	16.5	14.5	15.4	16.8	13.8	14.5	15.8
ORDINARY EXPENDITURE												
Interest*	3.9	[illegible]	[illegible]	[illegible]	2.9	[illegible]	[illegible]	[illegible]	[illegible]	4.4	[illegible]	[illegible]
Exchange (on Interest) and Debt Management*	–	–	.1	–	–	.1	–	–	.1	–	–	.1
Amortization of Debt Discount*	–	.1	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1
Education	2.2	3.3	2.9	2.4	3.5	2.6	2.4	4.0	[illegible]	2.5	4.5*	[illegible]
Social Services	1.9	1.9	2.2	2.5	2.4	2.0	3.1	3.1	2.7	3.0	3.5	2.7
Other Ordinary Expenditure*	[illegible]	[illegible]	[illegible]	3.4	[illegible]	4.1	[illegible]	7.1	4.9	[illegible]	[illegible]	[illegible]
(2) .... Total Ordinary Expenditure (before Sinking Fund)	11.1	13.7	18.8	12.4	15.7	15.4	13.6	17.6	16.4	14.3	18.4	18.0
(3) .. Net Adjustment for Accruals*	4			4		[illegible]	[illegible]	1.4	.6	1	1.1	8
(4)..ORDINARY DEFICIT OR SURPLUS (before Sinking Fund) i.e. (1)+(2)+(3)	3	.9	.4	.2	1.3	.3	.4	3.6	1.0	.4	2.8	1.4
(5) SINKING FUND CONTRIBUTIONS	.2	–	6	.2	–	.5	2	–	.6	.2		.8
(6) INVESTMENTS IN OR WITHDRAWALS FROM CURRENT ASSETS*	.8		8	.3		.8	8	1.9	1.3	3.4	1.4	–
CAPITAL AND SPECIAL EXPENDITURES OR RECEIPTS												
Fully Self Supporting Loans and Utility Investments (z)	[illegible]		2.4	1.4		1.4	[illegible]		13.7	[illegible]		[illegible]
Fixed Assets (Highways and other Public Works)	[illegible]	[illegible]	[illegible]	[illegible]	3.8	[illegible]	1	9.9	[illegible]	[illegible]	15.1	[illegible]
Other Loans and Investments (Agricultural etc.)	1		3	5		3	4		5	[illegible]		
Net of Discount, Exchange, etc. and Capital Losses	1		1.7	2		7	1		26.1	4.8*	3	–
Unemployment and Agricultural Relief*								7		[illegible]	[illegible]	1.3
(7) .TOTAL CAPITAL AND SPECIAL EXPENDITURES OR RECEIPTS	2.9	2.8	6.3	5.0	3.8	5.0	5.3	10.6	8.2	2.2	16.9	7.3
INCREASE OR DECREASE IN GROSS DEBT i.e. (4)+(5)+(6)+(7)	2.6	1.2	8.1	5.3	6.1*	4.4	5.9	12.3	7.3	6.2	21.1	9.5
Increase or Decrease in Sinking Fund (z)	1.7	2	3.1	1.7	7	2.2	1.5	1.5	2.6	6	7	5
INCREASE OR DECREASE IN TOTAL DEBT OUTSTANDING	9	1.0	5.0	3.6	5.4	2.2	4.4	10.8	9.9	5.6	20.4	10.0

	1932 Man	1932 Sask	1932 Alta	1933 Man	1933 Sask	1933 Alta	1934 Man	1934 Sask	1934 Alta
ORDINARY REVENUE									
Fixed Revenue*	3.6	4.1	4.5	3.7	4.8	4.8	3.8	4.8	5.0
Tax Revenue	4.1	3.5	4.0	5.4	4.6	5.1	7.2	4.6	4.8
Other Ordinary Revenue*	3.8	4.0	4.2	3.1	4.4	4.8	3.4	4.0	4.9
(1)...... Total Ordinary Revenue	11.5	11.6	12.7	12.2	13.8	14.7	14.4	13.4	14.7
ORDINARY EXPENDITURE									
Interest*	[illegible]	5.1	[illegible]	[illegible]	6.1	[illegible]	[illegible]	[illegible]	[illegible]
Exchange (on Interest) and Debt Management*	[illegible]	–	.1	[illegible]	[illegible]	[illegible]	1	1	[illegible]
Amortization of Debt Discount*	.1	.2	.2	–	.2	.3	–	.2	.2
Education	[illegible]	4.5*	[illegible]	2.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Social Services	2.9	3.0	2.9	2.5	2.6	2.4	2.5	2.7	2.4
Other Ordinary Expenditure*	[illegible]	[illegible]	[illegible]	3.6	3.2	4.1	3.1	[illegible]	[illegible]
(2) .... Total Ordinary Expenditure (before Sinking Fund)	14.4	17.5	18.6	14.2	15.3	17.4	13.5	15.8	17.0
(3) .. Net Adjustment for Accruals*	.6	2.5	3	1	1.5	.1	[illegible]	1.2	4
(4)..ORDINARY DEFICIT OR SURPLUS (before Sinking Fund) i.e. (1)+(2)+(3)	2.3	3.4	5.6	1.9	–	2.6	.3	1.2	1.9
(5) SINKING FUND CONTRIBUTIONS	2	–	8	–	2	8	.3	2	8
(6) INVESTMENTS IN OR WITHDRAWALS FROM CURRENT ASSETS*	3.9	1.5	1.7	8	2.1	2.2	1.0	1.3	1
CAPITAL AND SPECIAL EXPENDITURES OR RECEIPTS									
Fully Self Supporting Loans and Utility Investments (z)	[illegible]		[illegible]	2		1.6	2		6.2
Fixed Assets (Highways and other Public Works)	[illegible]	10.1	5	[illegible]	[illegible]	7	1	1.5	4
Other Loans and Investments (Agricultural etc.)	8*		1	[illegible]		[illegible]	5		4
Net of Discount, Exchange, etc. and Capital Losses	[illegible]	1.0	[illegible]	[illegible]	6	2.8	[illegible]	1	4
Unemployment and Agricultural Relief*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.6	6.1	[illegible]
(7) .TOTAL CAPITAL AND SPECIAL EXPENDITURES OR RECEIPTS	13.4	32.6	11.3	6.6	7.1	5.2	2.3	7.5	2.1
INCREASE OR DECREASE IN GROSS DEBT i.e. (4)+(5)+(6)+(7)	12.0	37.5	19.4	7.7	9.4	6.4	1.3	10.2	.7
Increase or Decrease in Sinking Fund (z)	2	4	6	8	8		7	1.2	3
INCREASE OR DECREASE IN TOTAL DEBT OUTSTANDING	11.8	37.1	20.0	6.9	8.6	6.4	6	9.0	4

	1935 Man	1935 Sask	1935 Alta	1936 Man	1936 Sask	1936 Alta	1937 Estimated Man	1937 Estimated Sask	1937 Estimated Alta
ORDINARY REVENUE									
Fixed Revenue*	3.6	4.8	4.6	3.7	4.8	4.6		4.6±	3.7
Tax Revenue	7.2	4.6	5.1	7.3	5.2	5.5		5.5±	[illegible]
Other Ordinary Revenue*	3.7	4.1	5.3	3.4	4.9	5.6		4.9±	[illegible]
(1)...... Total Ordinary Revenue	14.5	13.5	15.0	14.4	14.9	15.7	14.2	15.0±	17.6±
ORDINARY EXPENDITURE									
Interest*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.4		[illegible]	[illegible]
Exchange (on Interest) and Debt Management*	–		1		1	1		–	1–
Amortization of Debt Discount*	.3	.3	.3	.2	.3	.2		.3±	.2±
Education	1.7	[illegible]	[illegible]	1.7	3.1	[illegible]		[illegible]	[illegible]
Social Services	2.7	2.9	2.5	2.7	3.0	2.6		3.2±	2.9±
Other Ordinary Expenditure*	3.1	[illegible]	[illegible]	[illegible]	[illegible]	3.8		4.6±	4.1±
(2) .... Total Ordinary Expenditure (before Sinking Fund)	13.7	17.8	17.0	13.8	17.6	17.6	13.7±	16.9±	15.2±
(3) .. Net Adjustment for Accruals*	3	1.5	7	[illegible]	1	[illegible]	[illegible]		[illegible]
(4)..ORDINARY DEFICIT OR SURPLUS (before Sinking Fund) i.e. (1)+(2)+(3)	.5	2.8	2.7	.4	2.6	1.7	.3±	3.9±	2.4±
(5) SINKING FUND CONTRIBUTIONS	.3	2	8	3	.3	8	3±	3±	–
(6) INVESTMENTS IN OR WITHDRAWALS FROM CURRENT ASSETS*	.7	3.7	–	.1	.6	8			1.7±
CAPITAL AND SPECIAL EXPENDITURES OR RECEIPTS									
Fully Self Supporting Loans and Utility Investments (z)	1		1.1	2.3		[illegible]			[illegible]
Fixed Assets (Highways and other Public Works)		[illegible]	[illegible]	[illegible]	1.4	1.5			1.2±
Other Loans and Investments (Agricultural etc.)	6		1	4		2			±
Net of Discount, Exchange, etc. and Capital Losses	2	1.0	[illegible]		1.1	3			
Unemployment and Agricultural Relief*	[illegible]	[illegible]	4	[illegible]	[illegible]	[illegible]	4.7±	[illegible]	[illegible]
(7) .TOTAL CAPITAL AND SPECIAL EXPENDITURES OR RECEIPTS	3.6	14.9	4.6	1.9	12.4	5.2			3.2±
INCREASE OR DECREASE IN GROSS DEBT i.e. (4)+(5)+(6)+(7)	4.1	21.6	8.1	1.7	14.7	8.5	4.2±	12.2±	9±
Increase or Decrease in Sinking Fund (z)	1.7	1.0	9	8	1.1	2	1.5	1.0	5±
INCREASE OR DECREASE IN TOTAL DEBT OUTSTANDING	2.4	20.6	7.2	2.5	13.6	8.3	2.7±	11.2±	[illegible]

As at Fiscal Year-End (x) in:

	1922 Man	1922 Sask	1922 Alta	1926 Man	1926 Sask	1926 Alta	1927 Man	1927 Sask	1927 Alta	1928 Man	1928 Sask	1928 Alta	1929 Man	1929 Sask	1929 Alta
TOTAL DEBT OUTSTANDING*	73	53	102	71	55	115	72	56	120	73	57	125	76	62	127
Active Assets*	32	27	27	33	29	29	35	29	27	35	30	29	36	36	29
TOTAL NET DEBT*	41	26	75	38	26	86	37	27	93	38	27	96	40	26	98
Of Which: Fixed Assets*	27	27	27	31	31	31	32	32	33	34	33	36	36	36	39
: Portion of Other Loans and Investments which bore full interest during the year	14	7	3	15	9	4	14	7	4	17	8	4	11	9	4

	1930 Man	1930 Sask	1930 Alta	1931 Man	1931 Sask	1931 Alta	1932 Man	1932 Sask	1932 Alta	1933 Man	1933 Sask	1933 Alta
TOTAL DEBT OUTSTANDING*	81	73	117	86	93	127	98	131	147	105	140	153
Active Assets*	39	37	43	44	42	44	44	57	51	44	60	49
TOTAL NET DEBT*	42	36	74	42	51	83	54	74	96	61	80	104
Of Which: Fixed Assets*	40	42	44	43	51	51	45	54	56	45	54	56
: Portion of Other Loans and Investments which bore full interest during the year	15	8	3	9	3	2	7	2	1	5	2	1

	1934 Man	1934 Sask	1934 Alta	1935 Man	1935 Sask	1935 Alta	1936 Man	1936 Sask	1936 Alta	1937 Man	1937 Sask	1937 Alta
TOTAL DEBT OUTSTANDING*	105	149	154	108	169	161	110	183	169	113±	194±	169±
Active Assets*	42	60	44	43	63	43	40	62	[illegible]	[illegible]	62±	[illegible]
TOTAL NET DEBT*	63	89	110	65	106	118	70	121	126	73	132	127±
Of Which: Fixed Assets*	45	54	67	45	54	68	45	56	61	45±	56±	[illegible]
: Portion of Other Loans and Investments which bore full interest during the year	8	3	1	12	3	–	8	7	1	10±	7±	1±

*For notes see respective Appendix Tables.

(x) Fiscal years end as follows:—

1922—Man. 31/8/22 (9 month period), Sask. 30/4/23, Alta. 31/12/22.
1926—Man. 30/4/26, Sask. 30/4/26, Alta. 31/12/25.
1927—Man. 30/4/27, Sask. 30/4/27, Alta. 31/12/26.
1928—Man. 30/4/28, Sask. 30/4/28, Alta. 31/3/28 (15 months period).
Thereafter throughout Man. and Sask. on 30th April, and Alta. on 31st March.

(z) Includes, in the case of Alberta, the Special Investment Fund.